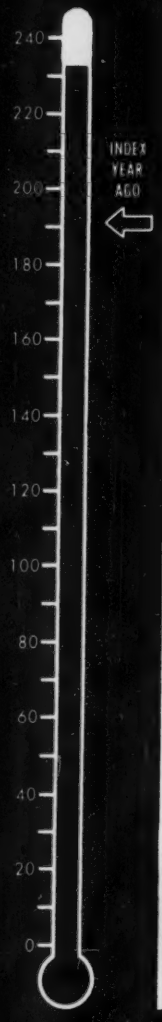
BUSINESS WEEK

HOW TO RUN A
War Economy
SPECIAL REPORT, PAGE 113



Michael V. DiSalle: Cool man in a hot job (Page 42)

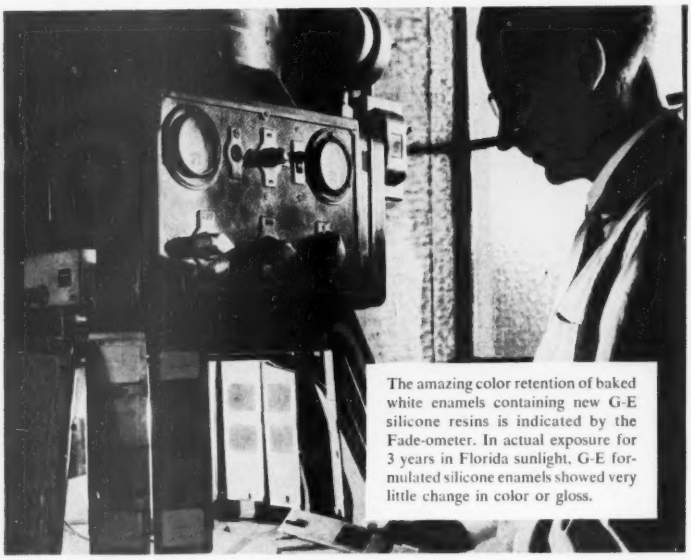
A McGRAW HILL PUBLICATION

FEB. 17, 1951

TWENTY FIVE CENTS

Chemical Progress

News of developments from General Electric's Chemical Department that can be important to your business.



The amazing color retention of baked white enamels containing new G-E silicone resins is indicated by the Fade-ometer. In actual exposure for 3 years in Florida sunlight, G-E formulated silicone enamels showed very little change in color or gloss.

Silicone "Wonder-Enamels" Commercially Practical with New G-E Silicone Resins

Laboratory tests and long exposure under the most rugged conditions now show that baking enamels, properly formulated with G-E silicone resins, set new standards for heat resistance and color and gloss retention. Pattern effects are reduced or eliminated.

Highly resistant to weather and chemicals, yet tough and flexible, these new silicone finishes are ideally suited for use on motor equipment, outdoor advertising signs—even exhaust stacks where high heat is encountered. Other suggested applications of silicone enamels include finishes on refrigerators, ranges, and small appliances.

Properly used, one new General Electric silicone resin can be cold-blended with most alkyd, melamine, urea and phenolic resins—for enamels of unsurpassed performance. This silicone resin also has improved resistance to gasoline, soap, oil, and grease.

Look into these new General Electric silicone resins for ideas on how to improve the looks and lengthen the life of your products—with new "wonder-enamels."

"Keep Your Powder Hot"—G-E Development Speeds Plastics Molding

One of the latest General Electric developments to speed output in the Company's plastics molding service is an improved *dielectric preheater*. These are electronic machines for preheating molding powders.

In them, plastics powder is quickly and thoroughly warmed before being placed in the molding press—thus requiring less time under pressure to reach molding temperature.

For manufacturers depending on General Electric's plastics molding service for the pressing of large plastics parts, dielectric preheaters mean fast, sure production.

5,000,000 Doors within Doors

Manufacturing laminated plastics door linings for major refrigerator companies is one of the many ways General Electric's Chemical Department fits in with an industry's assembly lines. Just recently, G. E. turned out the 5,000,000th of these "inner-doors"—a product which users find strong as metal yet lighter, with a hard, tough, easy-to-keep-clean finish.

WANT MORE INFORMATION?

For complete details about any of the G-E Chemical Department products or processes described on this page, just write to Chemical Department, General Electric Company, Pittsfield 11, Massachusetts.

* * *

G-E Chemical Department plants at: Pittsfield, Mass.; Schenectady, N. Y.; Waterford, N. Y.; Coshocton, Ohio; Decatur, Ill.; Taunton, Mass.; Anaheim, California.

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America's telephones are busier than ever with the urgent, vital calls of production and defense. The products of America's might are rolling off the assembly lines and the telephone is helping to get the job done.

In everything that concerns the defense of our country, the Bell System can be counted on to do its full part . . . always.

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Your new television set, your first washing machine, first radio . . . each marked a step forward in your family's progress.

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These containers are being constantly improved. Recently, a large corrugated strawboard manufacturer called in Wyandotte's Technical Service Department. Wyandotte recommended a special caustic soda formula to digest the straw, designed a system to handle it, followed through on the production line. Result: a 33% increase in strength above average strawboard, far greater safety for packaged shipments.

The chemicals that Wyandotte makes also serve, in many ways, in the manufacture of the television sets themselves. Whatever your business, if it uses chemicals, you may well profit by consulting Wyandotte.

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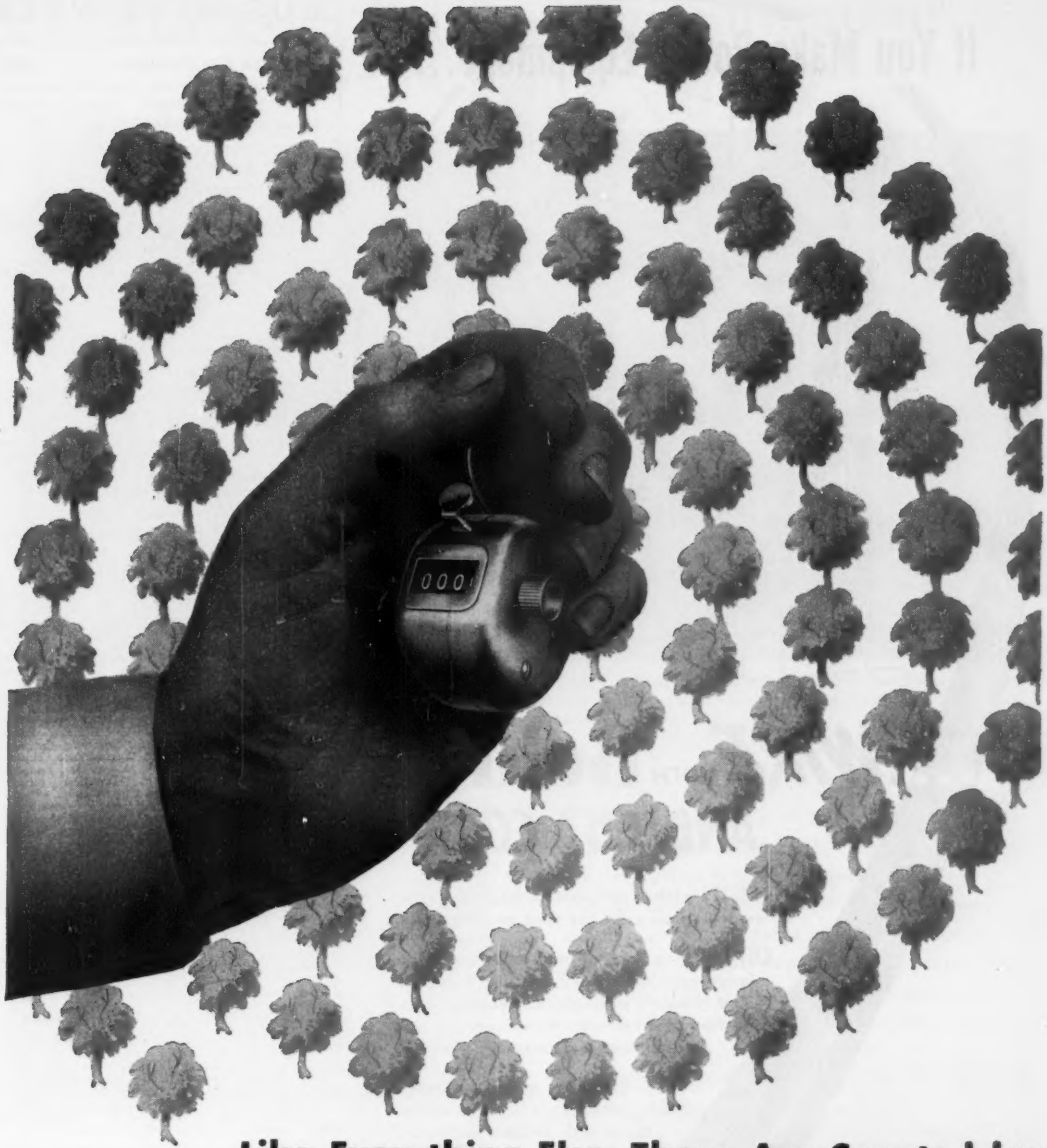

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Name it and you can count it...trees, cars, people . . . and many other units that are difficult to count in any other way than with a Veeder-Root Hand Tally...on which you simply press the thumb-lever once for each count.

And in addition, there are many other Veeder-Root Counters which count mechanically and electrically in any terms or units you want. But if you want to count up to a *real* payoff, then build V-R Counters into your machine or product as original equipment. *How to do it?* Write and find out:

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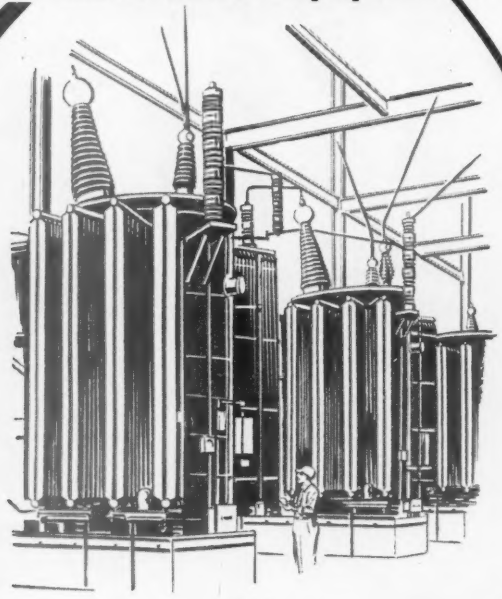

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BUSINESS WEEK • FEBRUARY 17 • NUMBER 1120

(with which are combined The Annalist and the Magazine of Business) • Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw (1860-1948), Founder • **Publication Office, 99-129 North Broadway, Albany, N. Y.** • **Editorial, Executive and Advertising Offices,** 330 West 42nd St., New York 18. • Curtis W. McGraw, President; Willard Chevalier, Executive Vice-President; Joseph A. Gerardi, Vice-President and Treasurer; John J. Cooke, Secretary; Paul Montgomery, Senior Vice-President, Publications Division; Ralph B. Smith, Editorial Director; Nelson Bond, Vice-President and Director of Advertising.

Subscriptions: Address correspondence regarding subscriptions to J. E. Blackburn, Jr., Vice-President and Director of Circulation, Business Week, 99-129 N. Broadway, Albany 1, N. Y., or 330 West 42nd St., New York 18. Allow ten days for change of address.

Subscriptions to Business Week are solicited only from management-men in business and industry. **Position and company connection** must be indicated on subscription orders.

Single copies 25c. Subscription rates — United States and possessions $6.00 a year; $12.00 for three years. Canada $7.00 a year; $14.00 for three years. Pan American countries $10 a year; $20.00 for three years • All other countries $20 a year; $40.00 for three years • Entered as second class matter Dec. 4, 1936, at the Post Office at Albany, N. Y., under Act of Mar. 3, 1879 • Printed in U.S.A.

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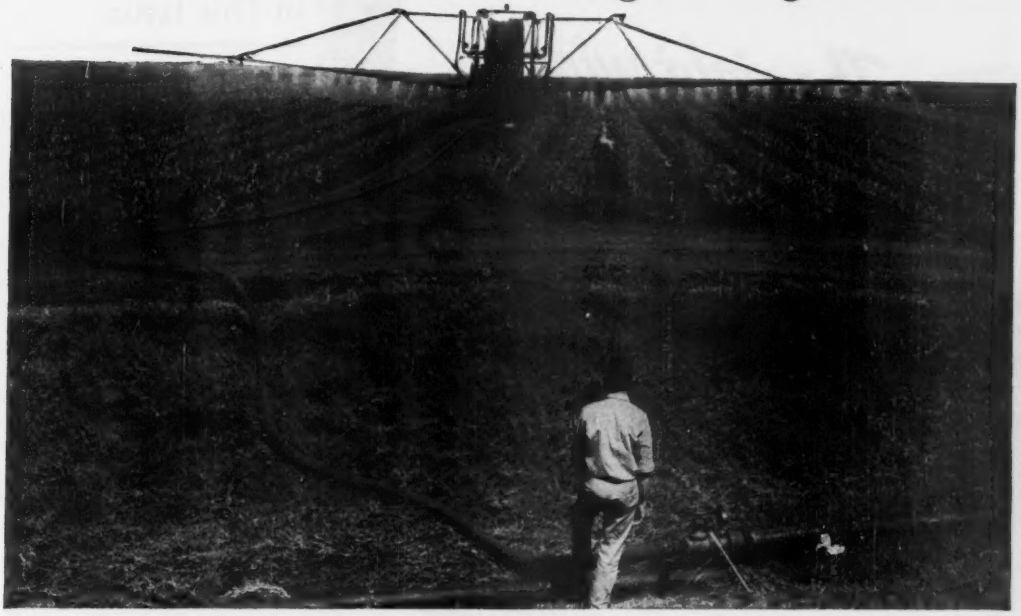
What's U. S. Rubber doing in irrigation?



UNIQUE PORTABLE RAINMAKER irrigates immense plantation, covering 12 acres a day with the equivalent of 1.5 inches of water. Two 50-foot spray booms extend over the rows of pineapples. The U. S. Rubber hose, diameter 4", 800 feet long, coils and uncoils as truck moves slowly. Working pressure, 125 pounds per square inch.

U. S. RUBBER HOSE ENGINEERS worked with the cranberry growers in developing this vacuum cranberry picker. Unusual problems in hose design were solved. The picker is fast, never gets tired muscles.

This great plantation in Hawaii is using another unusual development in "U. S." hose, and reaping great savings in time and expense. Hose engineers of United States Rubber Company have solved a remarkable range of hose problems—some big, some small, some strange, others run-of-the-mill. Consult these experts when you have any question that hose may solve. They also know techniques and new methods which may materially lower your operating costs. For further information write to address below.

HELICOPTER LAYS this 400-foot hose line in only 25 seconds. Developed by U. S. Rubber, the hose is folded into a special container and released at a press of a button. Has hundreds of uses.

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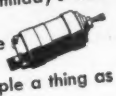
MECHANICAL GOODS DIVISION • ROCKEFELLER CENTER, NEW YORK 20, N. Y.

The right wire for the right job...

Technological advances in many industries constantly require new developments and new applications of wire and cable. A space-saving wire design has made possible smaller, more compact motors. A new and better form of heat resistance in turn prevents failure in generators. Again, if a sharp turn can be given a wire, a new and better clock may be possible. New abrasion characteristics may mean milady's iron won't fail. A city's safety is made more certain because  a solenoid sets new records in performance. As simple a thing as better shielding in a wiring harness can be the secret of clearer radio and television reception. Auto-Lite Engineers; drawing on their many years of automotive experience, can answer such problems. For more complete information on the "right wire for the right job" write to

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Wire and Cable Division
Port Huron, Michigan • Hazleton, Pennsylvania

AUTO-LITE

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plastics
wire and cable
industrial
thermometers

Highlights
In This Issue

40% Less Housing

• That's the prediction for 1951. The regulations are drawn that way, and that's what builders expect to see. P. 19

Don't Be Fooled . . .

. . . by the drop in retail sales figures. The scare buying rush is still on P. 20

CMP on the Rails

• It's far enough along now to have a definite timetable. Preliminary work has started; July 1 is the crucial date. P. 21

Still More Aluminum

• Now they're doubling the goals again. But meanwhile, two new "monopolists" have made their appearance. P. 32

Man Bites Dog

• One appliance manufacturer is cutting prices this year. How he did it and why. P. 89

We, the People

• Wall Street's biggest house—and the only one that publishes its earnings—has had a golden year. P. 124

End of a Myth

• China never was the world power people have been calling her. Now the economic weakness is showing. P. 141

THE DEPARTMENTS

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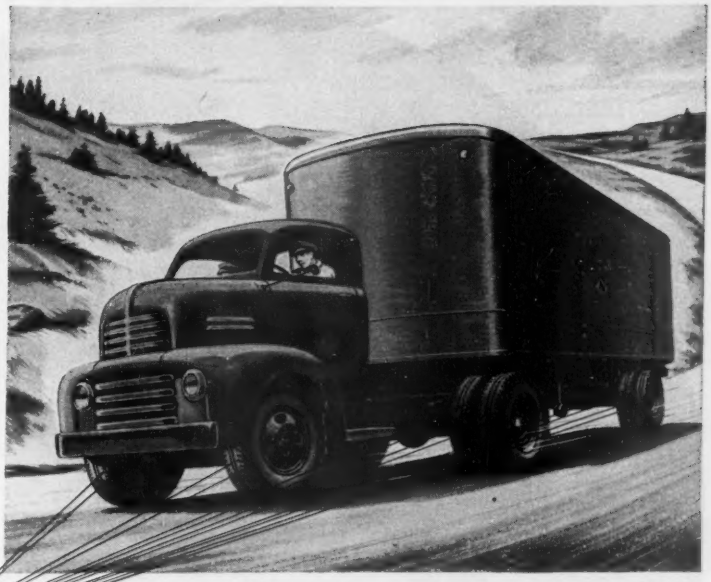

HI-BALLING DOWN THE ROAD a ten-ton trailer gets tires scorching hot . . . a major cause of blowouts. To make tires cooler-running, carcasses are now reinforced with "Cordura." The extra strength of "Cordura" makes possible thinner, stronger sidewalls that have less tendency to build up heat.

Extra strength at no extra cost with this Du Pont yarn

Yarns of Du Pont Cordura* High Tenacity Rayon are stronger than yarns of natural fibers—they are made in continuous filaments with no short lengths to pull apart under strain. This means there are no weak spots in "Cordura" yarn. Moreover, because the number of fibers—and the diameter of each fiber—in this yarn is precisely controlled, "Cordura" is uniform in gauge throughout its length.

"Cordura" is the backbone of a host of new and improved products. It is the core of a new plastic clothesline, the strength of a new tear-resistant laminated paper. It makes conveyor belts thinner yet stronger, V-belts that won't stretch, a garden hose so strong that one manufacturer now offers it with a ten-year guarantee.

No matter where you use yarns in your business, the extra strength of "Cordura" may well be able to help you to improve your product or your process . . . *without increasing cost.*

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"...AND WE GOTTA KEEP OUT OF THE STREET!"

FRANKIE is doing a good job of briefing his brand-new pup on the dangers that lurk in the street. But—he might overlook them *himself* when they go out to play!

That's why you should drive extra carefully through areas where children play—and why you should carry *adequate* automobile insurance—including safe limits of liability—with sound, nationally recognized Hardware Mutuals.

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BUSINESS OUTLOOK

There just isn't going to be any "conversion unemployment" worth talking about. That's becoming more and more clear.

Employment is higher by 1½-million than ever before at this time of year. And unemployment, though not at a low, stood at only 2½-million in January—an unusual ebb for the season.

Meanwhile, we have put a good bit of the conversion job behind us.

•

Pockets of unemployment are bound to appear. In fact, the number of workers drawing unemployment compensation is up by half a million from last autumn's unprecedented low.

But the total, at 1¼-million, is even under the comparable figure for booming 1948.

Besides, initial claims for jobless pay are running very small.

•

Two things are working to keep employment above its natural level:

(1) Employers don't want to lay off workers. They know they never would get a lot of them back. So they hoard labor against the day when they will be stepping up arms output.

(2) Workers can't afford to stay idle. Compensation is falling farther and farther behind the cost of living. At the same time, hourly wage rates are the highest ever and the work week is lengthening.

•

Total employment, now at 59-million, would go to 62½-million or 63-million by summer if it were to score its usual gain.

But this year there probably won't be that many additional workers.

Nonfarm employment already is very high. Late in 1950, it topped all previous records by nearly 3-million. Even after a million seasonal workers dropped out from December to January, there are 53-million nonfarm jobs. That's half a million better than the midsummer peak in 1948.

•

Farm employment this year probably won't average over 7½-million. That compares with 9½-million as recently as 1940.

There, very briefly, is the story of the huge postwar rural mechanization.

Right now, the number of farm jobs is the lowest ever—barely 6-million. That hardly numbers more than the heads of all our farm families.

•

Detroit, which has been worrying most vocally about cutbacks, faces only a short-range problem at the very worst.

The auto makers already have $3½-billion in government contracts (BW-Feb.10'51,p32). Suppose passenger car output has been cut back by 40% by midyear. Those arms contracts add up to just about one-third of the factory value of all passenger cars manufactured last year.

•

Buying things now—either because they are scarce or may get scarce—has played a big part in sustaining the boom.

And if you think that applies only to consumer buying, you have another think coming. Business has been doing a lot of stocking up, too—all the way from manufacturer to retailer.

Inventories of all business rose by $10-billion in 1950.

But, even more important than the size of the gain, is the rate. It was

at a brisk annual clip of $5-billion in the first half of 1950—but in the second half of the year, the pace jumped to $15-billion.

•

Retailers appear fully as interested in inventories as in sales.

They built stocks hand-over-fist in 1950. Even though they had the biggest sales ever in August (on a seasonally adjusted basis) and a record Christmas, they added $2-billion to inventory from June to December.

For the full year, the gain was $3-billion, bringing the value of all stores' stocks to more than $16-billion at yearend.

•

Inventory building at the wholesale and retail levels creates business for manufacturers, of course. But inventory building by manufacturers is perhaps even more dynamic. For their buying spreads back all the way to the farm and the mine.

And manufacturers were buying a mile a minute in the last half of 1950—for all the talk about shortages.

They were adding to inventory at an annual rate of $2-billion a year in the first half of 1950, jumped it to $8-billion in the second half.

Of course, operations were up, too, so that higher inventories were needed. Value of all factory shipments soared from an average just under $18-billion a month in the first half of the year to above $21-billion.

•

Construction still is running far ahead of a year ago—notwithstanding severe weather and various curbs aimed at conserving materials.

Total value of work put in place in January was just short of $1.1-billion. While down from December, that's 21% above a year earlier. And private home building keeps right in line—with a 21% gain.

Biggest upturn in private outlays, though, came in industrial building. At $126-million, this activity was 82.6% ahead of January, 1950.

•

Government rules requiring permits for nonessential construction presumably will begin to cut into commercial building shortly. However, January work was not affected, with the result that value put in place was up 54%, for a total of $122-million.

•

The strong prop under individual spending—in spite of curbs on mortgage credit and instalment loans—is rapidly rising personal income.

The latest Dept. of Commerce estimate shows the widest gain for any month on record. In December, personal income rose to an annual rate of just under $241-billion, up nearly $8-billion from the month before.

A year earlier, the annual rate had been under $210-billion.

Throughout 1950, wage and salary increases contributed strongly to purchasing power. The rate of these payments went up $20-billion.

But, in the final month of 1950, Christmas dividends of corporations were the biggest single factor. Interest and dividend payments were at a record annual rate of more than $25-billion in December.

•

Importers already are in a jam on price ceilings. Both tin and silk this week were quoted abroad above U. S. freeze levels.

Theoretically, at least, Americans can't buy them. But tin is vital. If the price stays up, the government is expected to take over imports.

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The HALLMARK of Leadership in Movable Steel Interiors

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Hauserman has pioneered, developed, perfected and patented movable steel interiors for nearly 40 years. No other company in this field has the solid background of uninterrupted advancement enjoyed by Hauserman. There are over 25,000 Hauserman installations in all types of buildings throughout the world . . . more than the combined total of all other partition companies in America, either past or present.

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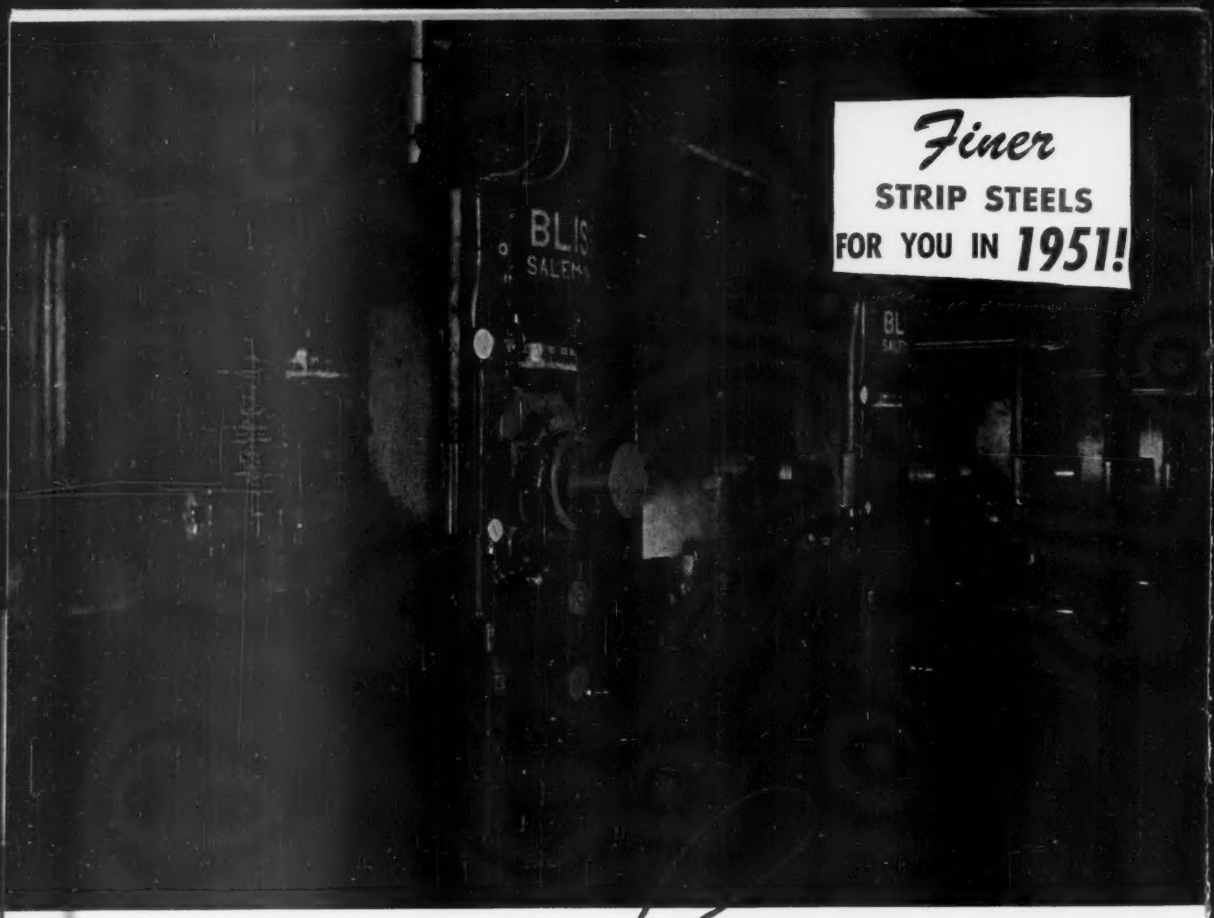
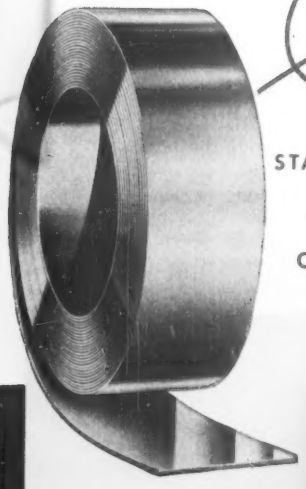


OVER 50 YEARS OF

Specialization

IN STRIP STEELS



STAINLESS

SPRING STEELS

CLAD METALS

ALLOYS

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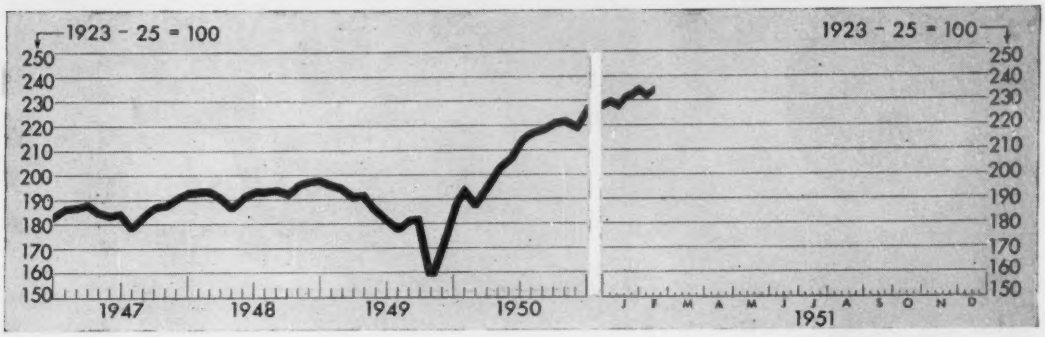
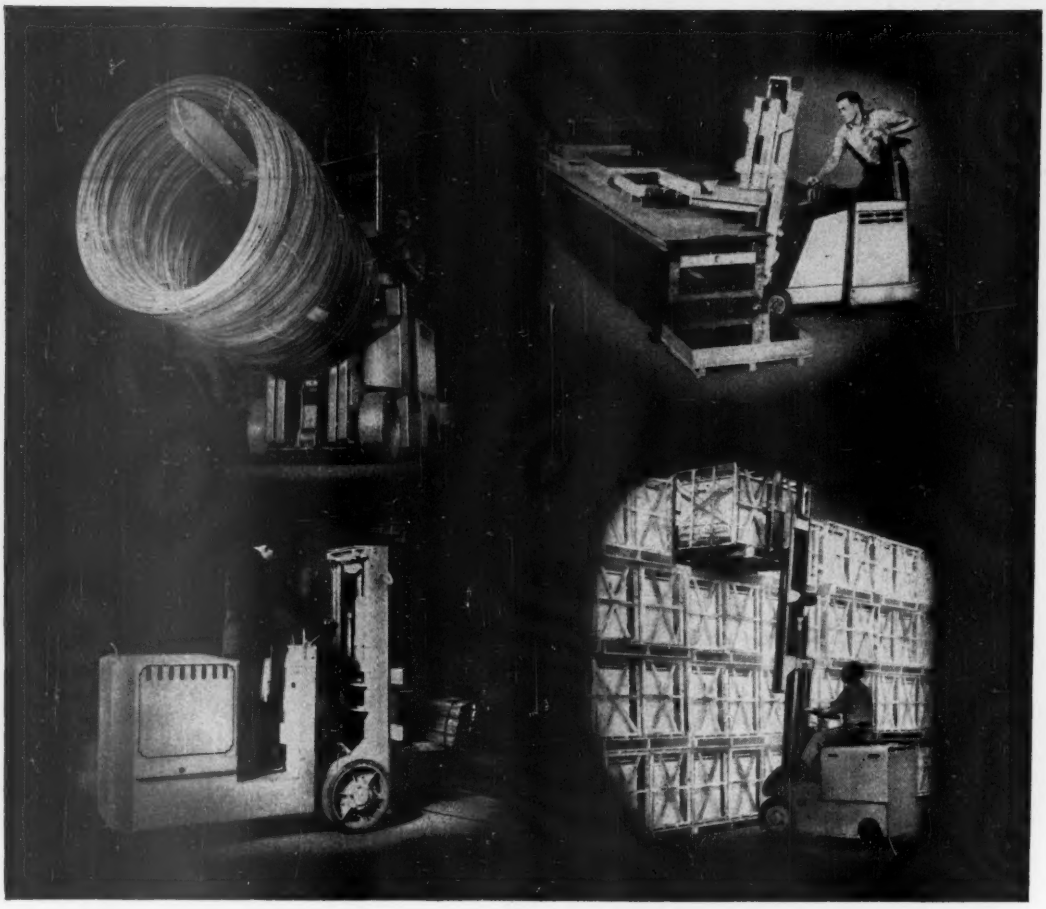
CARNEGIE, PENNSYLVANIA

FIGURES OF THE WEEK



	§ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Business Week Index (above)	*233.1	†235.6	233.6	191.4	162.2
PRODUCTION					
Steel ingot operations (% of capacity)	98.5	96.7	99.6	90.7	97.3
Production of automobiles and trucks	119,189	†151,206	139,679	125,737	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	$56,357	$61,987	$48,764	$27,784	$19,433
Electric power output (million kilowatt-hours)	6,957	7,099	6,981	5,971	3,130
Crude oil and condensate (daily average, 1,000 bbls.)	5,861	5,939	5,762	4,951	3,842
Bituminous coal (daily average, 1,000 tons)	1,588	†1,902	2,005	1,090	1,685
TRADE					
Miscellaneous and l.c.l. carloadings (daily average, 1,000 cars)	66	79	77	67	86
All other carloadings (daily average, 1,000 cars)	42	†52	50	35	52
Money in circulation (millions)	$27,125	$27,045	$27,415	$26,985	$9,613
Department store sales (change from same week of preceding year)	+3%	+25%	+39%	-1%	+17%
Business failures (Dun & Bradstreet, number)	191	159	193	195	228
PRICES (Average for the week)					
Cost of Living (U. S. Bureau of Labor Statistics, 1935-1939 = 100), Dec...178.4	....	....	175.6	167.5	105.2
Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100)	532.5	533.5	522.1	357.6	198.1
Industrial raw materials, daily index (U. S. BLS, Aug., 1939 = 100)	379.4	†380.8	375.4	220.4	138.5
Domestic farm products, daily index (U. S. BLS, Aug., 1939 = 100)	416.0	412.0	397.8	303.2	146.6
Finished steel composite (Iron Age, lb.)	4.131¢	4.131¢	4.131¢	3.837¢	2.396¢
Scrap steel composite (Iron Age, ton)	$43.00	$47.75	$46.08	$27.08	$19.48
Copper (electrolytic, Connecticut Valley, lb.)	24.500¢	24.500¢	24.500¢	18.500¢	12.022¢
Wheat (No. 2, hard winter, Kansas City, bu.)	$2.48	$2.46	$2.40	$2.20	$0.99
Sugar, daily price (raw, delivered New York, lb.)	5.94¢	6.02¢	6.07¢	5.61¢	3.38¢
Cotton, daily price (middling, ten designated markets, lb.)	#	#	44.27¢	31.99¢	13.94¢
Wool tops (Boston, lb.)	$4.40	$4.40	$4.10	$2.12	$1.41
Rubber, daily price (ribbed smoked sheets, New York, lb.)	73.50¢	†71.75¢	72.70¢	19.31¢	22.16¢
FINANCE					
90 stocks, price index (Standard & Poor's Corp.)	175.9	174.8	169.0	136.3	78.0
Medium grade corporate bond yield (Baa issues, Moody's)	3.15%	3.16%	3.18%	3.24%	4.33%
High grade corporate bond yield (Aaa issues, Moody's)	2.65%	2.66%	2.66%	2.58%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average)	1½–1¾%	1½–1¾%	1½–1¾%	1½–1¾%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	1⅞–2%	1⅞–2%	1¾%	1¾–1⅞%	½–⅝%
BANKING (Millions of dollars)					
Demand deposits adjusted, reporting member banks	50,811	†51,232	51,306	47,330	††27,777
Total loans and investments, reporting member banks	69,225	†69,527	70,824	67,139	††32,309
Commercial and agricultural loans, reporting member banks	18,321	18,120	17,924	13,885	††6,963
Securities loans, reporting member banks	2,272	2,308	2,213	1,896	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks	31,093	†31,504	33,046	37,375	††15,999
Other securities held, reporting member banks	6,463	6,482	6,486	5,244	††4,303
Excess reserves, all member banks	771	910	1,135	809	5,290
Total federal reserve credit outstanding	23,260	23,051	21,235	18,146	2,265

*Preliminary, week ended Feb. 10.
††Estimate (BW—Jul.12'47,p16).
#Markets closed.
§Date for "Latest Week" on each series on request.
†Revised.



SPEEDER-UPPERS on the production line

In factories, warehouses, mills and on shipping platforms, thousands of these husky materials handlers, powered by Exide Batteries, are upping production, cutting time, saving money.

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Exide Batteries provide motive power for mine haulage units. Railways use vast numbers of them for car lighting, air-conditioning, Diesel locomotive cranking, signal systems.

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WASHINGTON OUTLOOK

WASHINGTON BUREAU
FEB. 17, 1951

The output of autos, appliances, and other hard goods will be cut deeply in the second quarter. This means spreading shortages later on.

The National Production Authority will order a slash Apr. 1 on a long list of popular products. It won't fix production ceilings by saying how many autos may be made, for example. It will force the cutbacks by limiting the amount of steel that hard-goods makers may use for civilian production—a percentage cut, based on 1950 production levels.

•

Autos will have to give up 25% of their steel in April. After that, the cuts will become steeper, reach 40% by midyear (page 24).

Home appliances will be limited in similar fashion. Shortages are expected to hit by summer, when present high inventories will be sold off.

Typewriters and office machines also are ticketed for curtailment.

Other cutbacks will hit metal office and household furniture, soda fountain and luncheonette equipment, bicycles, lawn mowers, toys—in fact, about everything made of metal and not considered absolutely "essential" either to defense or the civilian economy.

•

Taxes will push many hard-goods prices up. You saw the proposal by the Treasury for higher excises on autos and appliances. Now it develops that the congressional taxwriters have asked NPA to list end products that may become short. These taxes work like price increases—consumers pay them—and the theory is that they can be used to discourage buying.

•

The Controlled Materials Plan, CMP, to channel metals into defense, will be ready by July 1, the target date (BW-Jan.20'51,p15).

A timetable of preliminary steps—balancing requirements against supplies, getting out forms to munitions contractors, limiting production of nonessentials, etc.—has been worked out (page 21).

•

The unions are furious at Wilson. They blame the mobilization boss for labor's "slights," say he runs Truman. Their charges:

(1) **Wilson refuses to share his chair with labor.** That is correct. Knudsen tried it with Labor's Hillman in pre-World War II. It didn't work.

(2) **Wilson insists on bossing manpower.** That, likewise, is correct. Wilson named his own man, Arthur S. Flemming—president of Ohio Wesleyan University, and a Republican—to head manpower policy. Labor's candidate was Secretary Tobin. Wilson turned him down.

(3) **The work-or-be-fired order to the railway strikers** was backed by Wilson. That's true, too, although Truman accepts the responsibility. But the unions resent it, especially when plant seizure may become the strike-breaking weapon of mobilization. A change of law to permit it is in prospect.

Political reprisals against Truman may be labor's answer. There's no doubt that Truman plans to run for reelection in 1952. The labor bosses figure they can bring him to heel before long by threatening to "sit it out" next year. They calculate that, once Wilson has mobilization on the track, they can persuade Truman to see things their way—even if it means that Wilson walks out. Some political observers here are about ready to give odds that the unions have it figured right.

WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU FEB. 17, 1951

Watch for strikes against wage controls—that is, strikes against government policy. The unions are warning Washington they won't accept uncomfortable ceilings.

The first test may come in meat packing. AFL-CIO Packinghouse Workers got an 11¢ raise last August, with a six months' reopening clause. Now, the packers have agreed to pay 9¢ more, subject to a Wage Stabilization Board O.K. The unions are passing the word they will strike if there's a turndown (BW-Feb.10'51,p124). This may give you the pitch on whether wage ceilings can be made to stick. And without wage control, price control will be a farce.

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A conveyor belt around Sault Ste. Marie is getting consideration at the Pentagon. This canal, which links Superior with the other lakes, is the busiest in the world. If bombs or sabotage closed its 2½-miles, steel mills would have trouble getting Mesabi ore. The conveyor idea is being pushed as a safety measure. You may get a decision on it shortly.

•

Congress will trim the $10-billion tax bill. That's how it looks after a week of hearings before the House Ways & Means Committee.

Individuals will get off easier than Truman asked. True, the rates will rise, but the increase probably will catch only half of this year's income.

Excises will go up, too. Congress may not make the boosts so steep as the Treasury wants, but it may apply them to more items.

Corporations will be hit hardest. Profits are on the upswing, and the committee may come close to Truman's 55% rate recommendation.

•

Remember MPR 580—the maximum price regulation issued by OPA in 1945? It regulated markups on manufactured goods. DiSalle is picking it up, using it as the pattern for his new pricing policy, due out shortly. It will set dollar-and-cents markups for manufacturers. But wholesalers and retailers will be allowed percentage margins.

•

Inducements to expand production may turn out to be disappointing. There's a confusion among officials on how far to go.

Amortization is an example. Aluminum producers thought they had a pledge from Symington of the National Security Resources Board for a 100% writeoff over five years. Harrison of the Defense Production Administration, now the boss, tells them they can get only 80% (page 32).

Expansion loans for minerals are snagged. The Interior Dept. has 450 applications, but hasn't made a single advance as yet.

Purchase contracts—commitments to buy new or marginal production—also are lagging.

•

Interagency wrangling over mobilization jurisdiction is rising. Agriculture and Housing are rowing over who handles rural construction; NPA and Agriculture can't agree on jurisdiction over processed foods; the Atomic Energy Commission and Interior fuss over power in the TVA region.

These are minor incidents. But they involve time-consuming delays and are symptomatic of bigger fights that could come. Unless the agencies settle down, chances are that Wilson will yank all mobilization powers out of the regular departments and put them under one roof, where they will be directly under him.

Here's a hunch from the Hospitals about Stainless Steel

ONE thing you're sure to notice, if you cast an observant eye around almost any hospital: the place shines with stainless steel equipment from basement to roof . . . in main and diet kitchens, ward kitchens, dressing stations, operating and delivery rooms—everywhere.

The reason for it is simply that hospital boards and managers are just as keenly alive to the individual needs of their business as any other good businessmen, and stainless steel does the job *best.* It maintains a hospital's rigid sanitation standards most perfectly, cleans easiest and quickest, and lasts longest in service—*because of all available metals,* stainless steel stands alone in its combination of great strength and high resistance to corrosion, heat and wear.

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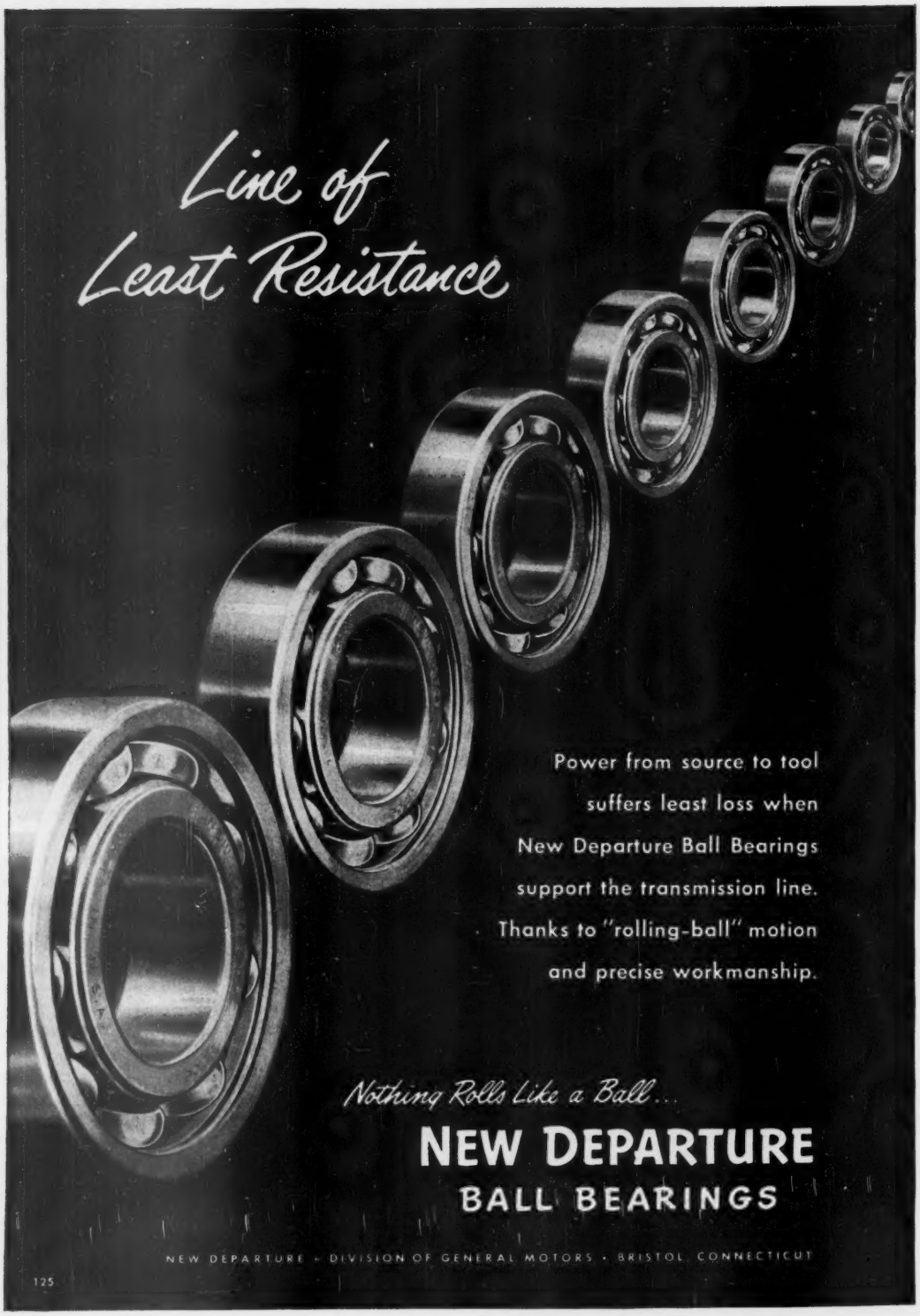
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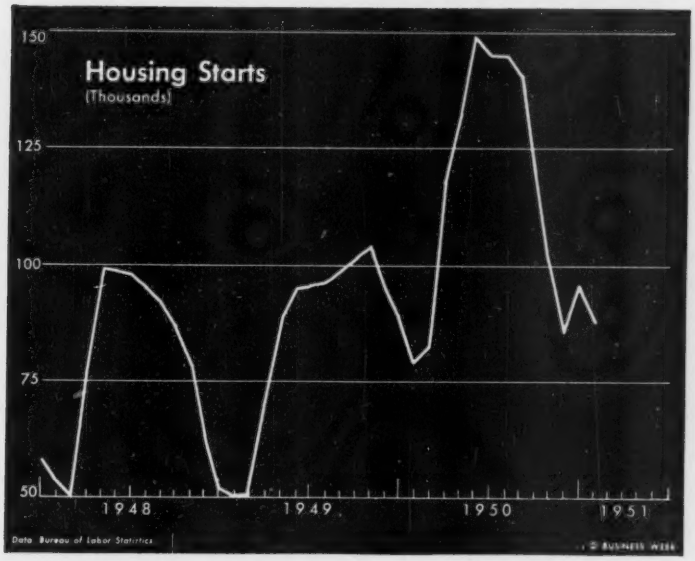
NUMBER 1120
FEBRUARY 17, 1951



HOME BUILDING will show even sharper drops once commitments are worked off.

Housing Slows—As Planned

U. S. has set ceiling of 850,000 starts for this year. After first quarter, builders will be cutting back heavily to new level. Credit curbs and materials pinches are forcing factors.

This is the year the official housing forecasters can't go wrong.

For the first time since the war, government estimators are shooting loaded dice. The number of houses they say will be started—800,000 to 850,000—is no guess. It's an edict. Washington regulation will make it so.

Thus individual builders can lay their plans as always. But the total that they will build is already pretty well set.

• **In Line**—This week BUSINESS WEEK reporters across the country asked builders how they thought they would fare under controls. With few exceptions, they saw starts down considerably from 1950. Some thought their total would be off 30%, others 50%, a handful 90%. Generally, though, their cutbacks seemed to hover around 40%—the slice the government intends to take from last year's record 1.4-million starts.

On the whole, builders today face the future much more stoically than they did four months ago. The restrictions of Regulation X and materials shortages still worry them. But their attitude now is somewhat like Heywood Broun's classic remark: "Prohibition is better than no liquor at all."

• **Tomorrow Is Bad**—Most builders' troubles right now are potential rather than real. Government restrictions haven't hurt yet. Through at least the first quarter, construction men will be working as fast as they can on non-Regulation X houses—those on which they had loan commitments before the control deadline. (Regulation X, the Federal Reserve Board's credit curb on residential real estate, prescribes higher down payments on house sales, shorter amortization periods.)

In Boston, for instance, a group of builders plans to start 163 houses in the first quarter, only five of which will come under regulation. The Chicago Metropolitan Home Builders Assn. says its members have commitments on about 22,000 houses. None of these will be governed by the tighter credit rules. New York reports the same story: as much work as we need for now.

• **And After?**—Beyond the first quarter, however, it's something else. As the old commitments peter out, builders will have to begin adjusting to their new market. That's the time of cutbacks they talk about.

For the low-price, volume builder, the slashes will come mainly from the credit curbs. Despite strong demand, the builder of the $15,000-and-under house is sure he will see much of his market wash away. (An indication of the strength of the demand: A Seattle builder reports several sales to people who had sold their cars to rake up enough cash for down payments.)

Los Angeles figures give a warning as to just how much the market will erode. Surveys by builders there show that only 40% of the people who bought homes in no-down-payment projects last year could buy a house under Regulation X. Cleveland underscores shorter amortization periods as one of the main deterrents of the curbs. Buyers will shy from heavier year-by-year payments as taxes increase, builders think.

• **Luxury's Hurts**—In small-volume, expensive homes ($25,000 and up) materials shortages will probably do more damage than credit restrictions. "The little guy, the one building one to five houses at a time is sure to catch it in the neck," was one comment. "These luxury operators have to have the right materials to sell—no substitutes. And they're going to be up against it trying to get suppliers to divert from the volume boys." (On the other hand, World War II proved that the small-quantity consumer often was better at scrounging materials than the big fellow.)

• **Substitutes**—Mention substitutes to a builder, and you're likely to find it's no longer in his vocabulary. The word now is "alternates" or better, "new materials."

Though there's scratching for this and that, no one yet seems fatally scared by materials shortages. Copper tubing is tight, and probably will continue to be, even though builders have won an easing of the ban on use of brass-mill products (BW—Feb.10'51, p32). There's been a general switch from copper to galvanized pipe, but that's short, too. One man said he was "seriously looking into plastic pipe."

"Victory hardware" is on the way

back—plastic and glass replacing most of the metal inside. Lighter-weight metals and some plastic are going into electric-light fixtures.

But except for nails—which everyone is wailing about—builders are confident that if they fight hard enough, they'll get the stuff they need. And what mobilization says they can't have, they'll find "alternates" for.

• **Prices and Costs**—Seattle shows pretty well how much more a buyer will have to spend for a house this year. In 1950 the tag on one house was $5,999; now it goes for $7,200. An $8,950 model will be marked this spring at $9,999. A two-bedroom house that sold for $13,000 last fall will be $15,000 to $16,000 next fall.

In Cleveland the below-$10,000 home is "as dead as your freshman love affair." Last year 40% of the homes built were in the $9,000 class. Now builders say $10,000 couldn't build the same house. In the five-county Philadelphia area, the average price of houses this year will be $10,000 to $10,500, an increase of $600 to $1,000 over 1950.

All in all, the average price rise since June probably falls somewhere between 10% and 15%. Unanimously, builders blame climbing costs for the hikes. The figures you hear range anywhere between 10% and 17%. "And costs will go higher than that, don't you forget it," a Boston man said. "Gray markets are back. They offered me rock lath off a truck last week for 9¢ a square foot. I've been paying 3¢ to 4½¢—when I could get it—right along."

• **Financing**—One sure obstacle for many builders in the months ahead will be financing. City after city reports that, "construction money just isn't available for the average builder." Banks are becoming more and more unwilling to make construction loans unless they are sure the builder has materials—or can get them—to finish his project. The word from bankers seems to be: "Don't even think about building unless you're 100% certain you can complete.

• **Defense Housing**—The great white hope of many builders for the future is defense housing. There's hardly a contractor who doesn't have some project in mind that he figures could be tagged with a defense label. This is particularly true of the high-volume, low-cost operator.

At the moment, a defense housing act is still in the committee stage at Congress—a long way from passage. But the U. S. already has some power to move under the Defense Production Act. The plan now is to relax Regulation X for designated defense areas to encourage private building of rental housing. That could conceivably carry some builders through what might be a dry, hard summer.

Buying Boom Picking Up After Lag

Most merchants blame retail sales slump on weather. Inventories are still high, but stores are buying.

The big buying boom has tapered off somewhat. But don't write it off yet. The level of sales, though not so high as that of January, is still impressive. And retailers generally are looking for a good Easter business in almost all lines.

In January, sales were roaring along from 25% to 30% above the year before (BW—Jan.20'51,p20). Then suddenly, they dipped sharply. In the week ending Feb. 3, department store sales slid back to a mere 3% ahead of a year ago. A lot of observers figured that the rug had been pulled out from under the boom. But it hadn't.

• **Comeback**—By midweek flash reports on department store sales indicated a sharp recovery. Figures for the week ending Feb. 10 showed department store sales up 8% in Philadelphia, 22% in New York, 20% in Pittsburgh over the same week last year.

In Chicago some retail experts were inclined to blame the sudden lag on the heavy buying last June and after Christmas. In San Francisco some merchants thought the price freeze had allayed fears of rising prices.

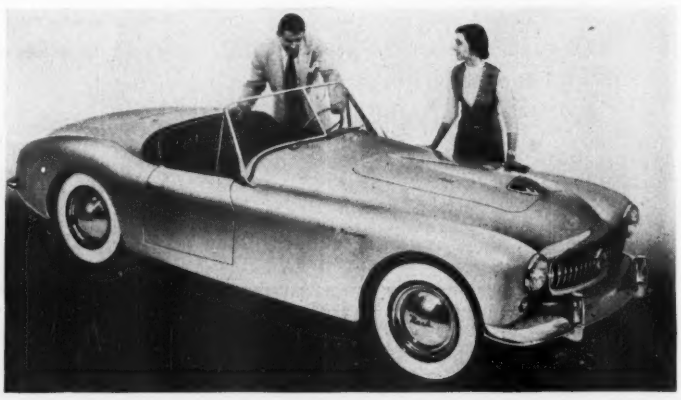
• **Cold and Wet**—But the most common explanation is simply the weather. Most retailers queried last week thought that the cold, rainy weather late in January and early in February kept buyers away.

One Detroit merchant summed up the general attitude on the price freeze by saying, "I don't think anyone is taking it seriously, do you?" Price controller DiSalle's statement last week that prices would rise another 5% by summer could have the effect of sending people back to the stores with renewed vigor.

So could the proposed excise taxes. But a spokesman for a major mail-order chain thinks that "the prospect of bigger excise taxes hasn't had any effect yet, simply because people haven't become aware of what the taxes are going to amount to."

• **Stocked Up**—Inventories are generally high—over-all perhaps at record highs—despite the post-holiday buying spree. A Pittsburgh department store executive says, "If this store had on hand all it has on order, I wouldn't know where to put the stuff."

But no one seems at all worried by the abnormal inventories, or the amount of goods on order. A Houston merchant says, "We're going to keep our inventories high from now on." A Pittsburgh store says it tries to buy selectively but that heavy buying creeps into all lines, not just those selling heavily.



Nash Tries a Sports Car—With British Help

U. S. windowshoppers aren't the only ones who drool over the lines of British sports cars. George W. Mason, president of Nash, is susceptible, too. And so this week the new Nash Healey sports model was making its debut at the Chicago auto show.

The ultra-low-slung (38 in. high) two-seater will be manufactured in limited quantities this year. It will sell for over $4,000, competing with the racy British Jaguar.

Nash will make the engine and running gear, ship them to Donald Healey Co., Warwick, England. The Healey plant will do the final assembly and export the completed car (BW—Oct.14'50,p133).

The engine is to be a special racing job with aluminum head and an 8.1-to-1 compression ratio.

Timetable for Starting CMP

March 1 CLAIMANT AGENCIES finish screening requests for copper, aluminum, and steel received from munitions contractors and essential producers.
NPA INDUSTRY DIVISIONS complete estimates of metal needed by other civilian producers.
THIRD-QUARTER REQUIREMENTS for controlled materials are submitted to DPA.

April 15 MUNITIONS CONTRACTORS and essential civilian producers receive application forms for 3rd-quarter materials.
NPA issues L and M orders to other civilian industries.

June 1 DPA tells claimant agencies and industry divisions how much metal their industries will get in 3rd quarter.

June 15 CLAIMANT AGENCIES split their allotments among prime munitions contractors and essential producers.
INDUSTRY DIVISIONS issue allotments to other civilian producers and component manufacturers.

July 1 CMP goes into effect.

Aug. 1 METAL-USING COMPANIES tell their claimant agencies or industry divisions how much they will need in 4th quarter.

CMP: The Paper Work Starts

Controllers are hard at work figuring out how much copper, steel, and aluminum you can have in the third quarter. Meanwhile, you'll probably be up to your ears in confusion and shortages.

It's going to be tougher to do business during the next five months than at any time since World War II. There'll be more tough controls, more confusion out of Washington, more shortages of materials, more headaches.

They're an apparently unavoidable part of the buildup for the Controlled Materials Plan, which goes into effect July 1.

• **Supply and Demand**—The buildup is well under way now. It started early in January. In the month and a half since, the controllers have completed the first basic step toward the new program: calculation of available supply of the CMP metals—copper, steel, and aluminum—and the total demand for them.

And they're well-started on the second, and final, major step: scaling down demand to match supply. The toughest part of this job—cutting back or halting entirely some uses of metal so there will be more for defense and other essential needs—must be in hand by July. The mobilizers have geared this cutback program to their CMP schedule (see table, above).

• **Requirements**—The various claimant agencies are now doing a detailed checking job to obtain requirements of the controlled materials for military production and vital supporting programs. Their figures are adding up to a tough conclusion: The rest of the economy will have to get along with less materials in the last two quarters of this year, and progressively less during 1952. That's the story they'll tell Defense Production Administrator W. H. Harrison, boss of CMP, on Mar. 1.

• **Cutbacks**—Meanwhile, the controls agencies under DPA—chiefly the NPA—will speed the cutbacks essential to CMP. In a few days, NPA will extend to virtually all industrial supplies the inventory limitations placed earlier on some materials.

At the same time, NPA will see that all manufacturers get the material they need to keep operating equipment in working order. The long-awaited order giving priority to MRO (maintenance, repair, and operating) supplies is designed to allow necessary repairs on everything from home refrigerators to manufacturing machinery.

• **More Slashes**—Apr. 15 is the target date for the L orders (limitation of specific production) and M orders (materials conservation by across-the-board consumption slashes). Most of the important M orders already are on NPA's books, cutting general use of aluminum, nickel, copper, and other metals to a percentage of last year's consumption. These will be revised—the percentages going down—and more materials will be added.

Several L orders already are in effect, too. They have stopped use of aluminum in furniture, of copper in construction materials, of nickel in trim for all types of products. On Apr. 1 will come limitations on the use of CMP metals in automobiles and appliances. Production of both will be cut back 25% to 40%, depending on substitute materials.

The same type of regulation will take CMP metals out of office supplies, cutlery, and most other consumer hard goods. They'll become effective as fast as NPA can prepare them and give the affected industries a few months' warning.

By mid-March, DPA will come up with the levels of construction of all types that the economy can afford under CMP. Its directives will be carried out by NPA, which then will be licensing all new construction.

• **The Machinery**—Under CMP the claimant agencies will present the most vital requirements to DPA. This will be the so-called "A" list, the direct defense production items. The major claimants, of course, will be the armed services. But 22 other agencies are seeking materials for supporting programs ranging from atomic energy to petroleum (BW—Feb.3'51,p31). And other agencies may be added next month.

NPA, much like the industry divisions of the War Production Board, will be the claimant for virtually everything else receiving allocations under CMP. This will include the "B" list items—consumer goods and industrial components used in production of both "A" and "B" articles.

• **Instructions**—Sometime during March DPA and NPA will tell industry how CMP works, how to make out required forms and applications, and the like. Applications for third-quarter controlled materials will be distributed to prime contractors in mid-April.

• **Allotments**—By June 1 Harrison and his staff will have matched demands against available materials, screened the military and essential requests, and come up with the size of the metals supply available for "B" products. He'll give the claimant agencies lump allocations and give specific allotments of metals for each "B" product.

• **Finished Items**—The claimant agencies will split up their total metals allotments among prime contractors. They'll attach an allocation number, designating the use and purchaser of each finished item for which metal allotments are given. The prime contractors will extend these allocations to subcontractors in proportion to their needs.

ALL FOR FREE. Manufacturers, eager for plugs, supplied Captain Dod Orsborne with all these ship's stores for his . . .

Round-World Cruise on the Cuff

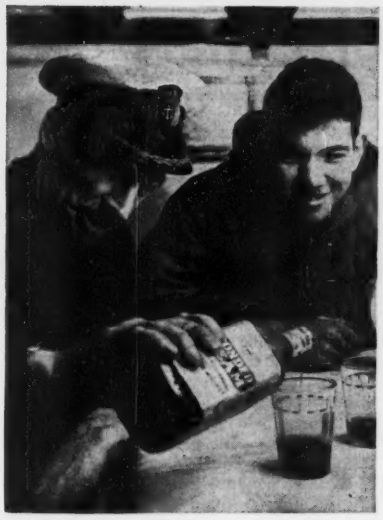
Leisurely round-the-world yacht cruises come high—at least for most of us. It's different for Captain Dod Orsborne, late of the British Navy. The captain can do it for free.

Last week Orsborne and his volunteer crew of 10 sailed from New York harbor bound for the West Indies and then the rest of the world. To the naked eye, it looked as though the gallant crew were aboard the two-masted ketch Argosy, 85 ft. long with auxiliary diesel power. Actually, they were off on the wings of a brilliant promotion.

Turning neat tricks is nothing new for Orsborne—a naval sailor at 14, a merchant captain at 21, now retired from the British Navy with 100% disability pension after commando service under Lord Mountbatten. Here, in very brief, is how Orsborne ran a cashless idea into an 18-month cruise.

First the captain went to Argosy, a men's adventure magazine. Argosy put up $5,000; in exchange, it got its name on the ship, plus the promise of writing and pictures from Orsborne. With the $5,000, Orsborne made a deal for a yacht.

Next came the call for the crew—



THE SKIPPER splices the main brace with gift whiskey.

VOLUNTEER CREW handles cargo as the Argosy gets ready to put to sea.

each to put up $2,000. Many applied, and 10 were chosen.

Getting supplies was Orsborne's greatest coup. Promising a maximum of plugs for the products he got, Orsborne induced manufacturers to stock the ship with everything from whiskey to navigation instruments, food to pharmaceuticals.

The crew will test instruments and drugs, make charts and soundings, gather specimens for museums, and visit long-forgotten landfalls. Perhaps, they'll even drink the whiskey.

Manpower Policy: Draft 'em

Even with Wilson in charge, only policy is this: Military gets everyone under 25 unless he's a veteran or a father. Unions resent exclusion from policy-setting.

It became clear this week that Defense Mobilizer Charles E. Wilson will be the boss of manpower policy with no strings attached.

Labor's campaign to make Labor Secretary Maurice Tobin the boss died on the White House steps. President Truman upheld Wilson's contention that he must direct all mobilization, and O.K.'d the appointment of Arthur S. Flemming, now president of Ohio Wesleyan University, as Wilson's top manpower adviser.

• **The Draft**—The over-all policy on manpower—how to divide it between the military and industry—is as fuzzy as ever. The only firm policy is the draft.

The new Selective Service bill in the Senate provides a sequence of drafting that will first call nonveterans and nonfathers in the 19-25 age brackets, then take 18-year-olds for a 24-month period. The issue of universal training for long-term security will be deferred until the present emergency eases.

Of course, a draft like this practically amounts to your entire manpower policy. Industry must count on men over 25, veterans (300,000 of them, still in school, will become available), and women in homes.

• **Deferments Meaningless**—The apprentice and journeyman under 25 can't be counted on, unless he's a father. This cancels out Selective Service Director Hershey's request that draft boards consider the Labor Dept.'s list of critical occupations in deciding on inducting men.

Why? Because if the military is going to put 3.5-million men into uniform by June 1952, it must have every last able-bodied nonfather and nonvet between the ages of 19 and 25. If Korean casualties continue, even the 18-year class will have to be tapped. (Sen. Lyndon Johnson, chairman of the subcommittee that drew up the new draft law, says 50,000 troops have been lost in Korea so far.)

No change is expected soon in the pattern of permitting the draft to channel manpower into the mobilization. Officials are not planning any early request for anything like the War Manpower Commission of World War II—even though Truman's Jan. 17 policy statement pointed out the need for manpower allocations via ceilings on nonessential activities, and by closer control over hiring, firing, and quitting.

• **Labor Plea**—Wilson's victory over Tobin and the hiring of Flemming, a deputy of War Manpower Director McNutt in World War II, were shoved down labor's throat. All union heads, even John L. Lewis, had joined in the plea for Tobin.

Even after Flemming was named, the United Labor Policy Committee asked Wilson to reconsider. At midweek the Tobin group was still thrashing about, trying to gain some consolation prize.

Tobin's defeat fired up labor's anger at what it considers a snub in mobilization planning. Labor is worried about the manpower role of Gen. Lucius Clay, one of Wilson's advisers. Clay, in World War II, was a "tough" man, in favor of a manpower draft, and of deeper sacrifices by the people. Flemming, too, had a part in drafting the national service proposal that Franklin Roosevelt unsuccessfully tried to get through Congress. Labor is just as much opposed to a manpower draft now as it was the last time.

• **Setup**—Here is how Flemming's committee is set up. The committee includes representatives of the Labor Dept., Defense Dept., Selective Service, Agriculture Dept., Civil Service Commission, Defense Production Administration, and Wage Stabilization Board. This committee will:

- Advise on manpower problems, including allocation to civilian and military needs.
- Recommend improvements in federal manpower policies.
- Formulate for Wilson proposed legislation, and regulations on manpower.

This brings within the scope of the committee's activity such issues as deferment of draft-eligibles and reservists, job deferments, deferment and training of scientific personnel, job controls, and manpower ceilings.

It is likely that the committee will have a voice in using higher wages to attract manpower into more essential industries. This was tried in World War II.

The new organization kills off an interagency committee, similar to that named by Wilson, which Tobin had set up. It also reduces to insignificance the labor-management committee on manpower Tobin had named. But it is expected that Tobin's Office of Defense Manpower will continue to function as the operating agency for manpower supply, but without policy authority.

Fewer Autos—More Steel for Others

Other industries—many of them small business—will get 10% to 15% boost in steel supplies. Seek 40% cut in car production.

The automobile industry—the nation's biggest consumer of steel—is going to be cut back. The basic reason: to provide more steel for the thousands of small businesses hit by shortages during the past few months.

That means that about April the "all other" steel consumers should be getting greater supplies. By July 1 the increase should run as high as 10% or 15%.

• **Bitter Debates**—Auto industry executives have had grudging admissions of this from National Production Authority officials during bitter hours-long battles over the restricting auto cutbacks.

NPA officials are now committed to bringing passenger car production down to 40% of what was produced during the first six months of 1950.

The present plan is to start the cutback process in April, with a 25% cut in steel. In May the cuts would be stepped up to 30%; to 35% in June, and to the 40% goal starting with July.

• **Hard Goods**—The limitation on steel will apply to other producers of consumer hard goods, and not just to autos. And the steel controls will be backed up with new and deeper cuts in copper and aluminum. But there is no doubt that the auto industry is NPA's chief target.

A 40% cut would shrink the auto industry's use of steel from about 20-million ingot tons per year to 12-million tons.

Figuring roughly, here's how the steel distribution picture will change during the second half of this year, based on approximately 101-million ingot tons per year output (all figures in millions of tons):

Defense needs (high estimate)	16
Durables other than autos	5
Auto industry (40% of 20)	12
All others (55 plus 8 from autos)	63

As one auto executive put it bitterly, "Half the military need for steel is to be taken out of our production, while other uses that take half the total supply aren't touched at all."

• **White House**—This redistribution of steel is being directed by Defense Mobilization Chief Charles E. Wilson, and there's no doubt that the White House is swinging its weight.

Steel has become tremendously hot, politically. Congressmen for months have been swamped with letters, phone calls, and personal visits from small businessmen back home who generally have two points to make: "We can't get any steel," and "look at the automobile industry chewing it up at the highest rate ever."

• **Flood of Cars**—Government attitude on autos has been toughened up by latest figures on the industry's amazing production record. NPA officials claim the auto executives promised a reduction in car deliveries in January, as a result of the aluminum cutbacks and other material shortages. Instead, production of passenger cars in January came to 500,000—which is about 100% of the average during the first half of 1950, the base period. January, 1951, output, in fact, was higher than that for January, 1950. Best guess is that first-quarter production will equal that of first quarter last year.

Looking at this, the controllers suspect the auto industry can take almost any government order and somehow find a way to make more cars than it is supposed to. Controllers publicly like to say, "We're only conserving scarce materials—so do your best with the metal we can spare from defense, make as many units as you can. You people are ingenious."

• **Too Ingenious**—Now they conclude the auto people have demonstrated this to a fault, so they will keep a tight rein on car production from here on out. Here's what has been decided on:

• Steel for auto use will be cut back by July to a rate equal to 60% of the industries' consumption during the 500,000-car-per-month base period. On paper that comes out 300,000 cars per month. But unless NPA flatly limits unit production, you can look for the car makers to squeeze out a few more cars per ton of metal than they did before.

• Replacement parts will be produced at a rate equal to at least 100% of the base period.

• Companies will be permitted to follow through on a model change late this year. They're practically tooled up for that now. But that will be the last.

• If the industry doesn't voluntarily keep up its production of lowest-priced cars, NPA will hand down orders to stop any switch to higher-priced models.

• Truck production will be cut

William A. Roberts

William C. Johnson

Two Heads for Allis-Chalmers

When Walter Geist, president of Allis-Chalmers, died suddenly on Jan. 29, the choice of his successor lay between two men. They were William A. Roberts, executive vice-president in charge of the tractor division, and William C. Johnson, executive vice-president in charge of general machinery.

This week the board of directors quickly made up its mind—it promoted them both. Roberts, 53, becomes president, and Johnson, 48, becomes companywide executive vice-president (a new post). "It's a partnership arrangement," says Roberts.

Missouri-born Roberts joined the company in 1924, the same year as Alabama-born Johnson. Both men climbed up through the ranks together, although Johnson beat his new president to the executive vice-presidency by three years.

To fill in behind the two Bills, A-C directors put two vice-presidents in as head of the twin divisions. They also promoted three other men to vice-presidential rank.

back some, but officials haven't yet figured out how much.

• Bus production will be even more closely controlled.

• **Unions Fear for Jobs**—In fighting the 40% cutback, the CIO's United Auto Workers are joining up with management. Union spokesmen claim that the low-level production rate fixed by NPA means that 300,000 to 500,000 of the industry's 800,000 to 900,000 workers will be unemployed—perhaps for "most of the year." In fact, Walter Reuther, Auto Workers president, this week asked the presidents of all auto companies to meet with him to devise ways and means of combatting such "premature" government orders.

• **Who Gets What?**—The one question that NPA officials haven't been able to answer is: What plants and what uses are to get the steel that's taken away from autos?

Best the NPA officials can say is that they have additional steel programs coming up—locomotives, Canadian and other foreign requirements, petroleum and power expansion needs, and the like.

• **Tank Plates**—They also point to the need for more plate for heavy military orders like tanks. In fact, NPA officials have made this their strongest reason for the sharp restriction on autos. But auto executives say they haven't yet been given any satisfactory answer as to how the restriction on auto production is justified.

The cutback is bad news for the whole auto industry. And for some companies, it will mean serious financial strain.

Moving Coal by Pipeline

Pittsburgh Consol will build a demonstration line, is aiming at a cheap way to move low-grade coal into the Great Lakes area. Utilities there might be a market.

Rising freight rates, particularly on short hauls, are weakening the ancient alliance between the coal and rail industries. Coal companies are looking for other ways to ship besides by rail. Ohio's proposed 130-mi.-long belt conveyor is one solution. Killed by the state legislature two years ago, the plan is being revived now (BW—Dec.16'50, p26).

• **Pumping Coal**—An equally radical proposal announced last week by Pittsburgh Consolidation Coal Co. is to pump coal through a pipeline. The company has developed a way to suspend pulverized coal in a mudlike mixture, or slurry, which, when pumped, carries the coal through the line. The coal would be delivered to the customer dried and pulverized or pressed into blocks.

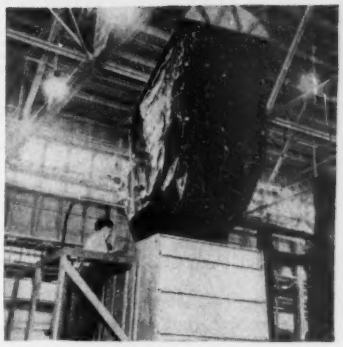
Pittsburgh Consol has already tested out the method in a small pilot line at Library, Pa. Now the company is ready to build a full-scale demonstration job at Cadiz, Ohio. The 12-in. line will be 3 mi. long, cost $550,000. It will be operated continuously and is expected to deliver several thousand tons of coal daily.

At the same time, State Sen. Doland H. Rolf has introduced a bill in the Ohio General Assembly to give public utility status to coal pipelines. If Rolf's bill goes through, Pittsburgh Consol will have the right to condemn private property for right-of-way for a commercial pipeline.

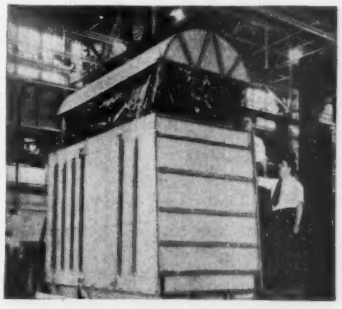
• **Lower Costs**—Economically speaking, Pittsburgh Consol would have plenty of incentive to get a commercial line under way. For one thing, the company is sure from its pilot operation that it could save freight costs on short hauls and offer lower rates to its customers if it used a coal pipeline. Right now, it costs about $2.75 a ton to haul coal by rail less than 125 mi. from southeast Ohio to the big industrial coal market in Cleveland. Yet, it costs only about $4.25 to ship coal the much greater distance from Fairmont, W. Va., to New York City.

• **Supply**—Moreover, Pittsburgh Consol has accumulated vast reserves of low-quality steam coal in southeastern Ohio. While this cannot command high prices in the special-purpose market, it is very adaptable to powerplant use. And because it comes out of the ground in very small pieces, called "fines," it is ideally suited to pipeline transportation.

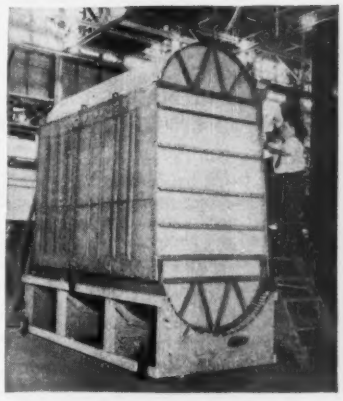
• **Demand**—The market for this coal in the Cleveland area should be tremendous—particularly if it could be delivered at a reduced rate by pipeline. Among the potential customers, Cleveland Electric Illuminating Co., big to begin with, has been adding capacity greatly since the war. It would probably jump at the chance to get a steady supply of low-cost steam coal. Ohio Edison, at Akron, and Ohio Power, at Canton, both lie close by a line between Pittsburgh Consol's Georgetown stripmine at Cadiz and Cleveland. Running short extensions to these plants would improve still more the economics of operating a main pipeline from Georgetown to Cleveland.



Nylon Bag Slips . . .



Into Metal Case . . .



It's B-36 Fuel Tank

Latest bag-type fuel tank for planes is this Pliocel nylon giant turned out by Goodyear. The tank, which has passed "slosh" test of the Air Materiel Command, holds 3,000 gal., is the largest ever made. The nylon fuel cell weighs less than .085 lb. per sq. ft. Why cloth? Metal tanks, subject to flight stresses, are hard to repair when they develop flaws. But bags are easy to slip into place; substitutes can be installed as needed.

There's More Than Meets the Eye

Mobilization is a mass of little things, most of which you never hear of, but all crucial to the people affected.

In its broadest aspects, the mobilization picture is pretty well blocked out.

Now the finer brushwork is starting. It involves all the tedious labor—plus the spilled paint and mistakes—of any big job.

To give you a closeup of the control agencies grinding away, BUSINESS WEEK's Washington Bureau has roamed the corridors to lift out of the confusion a sampling of the more important facts, forecasts, and frustrations:

Priorities for military production equipment: Procurement officials are finding that their suppliers need DO priorities to get tools to meet military delivery schedules. They now have permission from National Production Authority to parcel out to suppliers that need them nearly $100-million of DO's for production equipment during the second quarter of this year.

Spot assistance and priorities for nondefense companies: More and more, NPA officials are being forced to use DO ratings and special directives to give high-priority nonmilitary needs the O.K. that strictly military procurement gets. DO authority has been given to scores of projects—to Tennessee Valley Authority to cover equipment needed for its Johnsonville (Tenn.) steam plant; to other power developments; to foreign orders for tools and equipment; to the National Committee for a Free Europe for radio broadcasting equipment.

Similarly, NPA's emergency "directives" are being handed out to get material for housing projects, to military orders that need a greater priority than the DO, to the government's own program of demothballing its synthetic rubber plants.

Abuses of the DO system by the military are already being reported by NPA. The Pentagon allows a supplier to use a DO-98 to get delivery of production equipment. And then NPA discovers there is excess capacity available elsewhere in the industry to handle the military's needs, without putting the extra demand on machinery and equipment.

Municipal transportation: Makers of buses, trolleys, street cars have made a deal that guarantees them materials and components for their production through the first quarter of this year. The program calls for 2,000 buses, only a few street cars, electric buses. Total bus production last year was 4,907; fourth-quarter deliveries, 1,801.

Production pools: Defense Dept. is reluctant to deal with production pools—groups of small producers who band together to take on prime contracts. So the Munitions Board is asking NPA to underwrite production pools by certifying that the pool has the financing and facilities to take on the prime contract. This gives military procurement officials an out in case the pool doesn't come up to scratch.

What's a small business? As more and more small companies face shutdowns from shortages of materials, more and more pressure is generated to give them special consideration. Right now, the legal definition of small business that's generally used is "any plant with 500 employees or less."

But in some industries, that's a big business; in others, like steel, even a company with 3,000-4,000 employees may be small. So bureaucrats are trying to label as small business all companies, say, in the bottom third of their industry. But the problem is this: As small outfits shift into war production, they shift into other industries. And many will automatically lose their small business rating at that time.

Small business and procurement: More and more military procurement is negotiated, rather than placed through competitive bidding. So small business firms that have never done business with the military before aren't getting any chance at all to compete for military orders. Small business spokesmen claim that about all they ever get from Washington is information and advice and that now they're getting even less of that.

Subcontracting: It may not be typical, but here's what's happening in the radio-TV industry. Two companies hold about half the military orders on the industry's books. A score of companies split the remaining 50% fairly evenly. A sizable number of radio and TV firms had no defense business at all. However, the big military suppliers are subcontracting more than half the dollar value of their orders.

Autos and furniture: Makers of chromium-plated steel furniture have been howling about the bum deal they're getting under the terms of an NPA order. They can't make their product, but car makers are allowed to continue using chromium on door handles, bumpers, and hub caps. Similar glaring inequities in rating essentiality of products, and in "hardship" rulings favoring special cases, will become more and more prominent as the controllers improvise during the months ahead. Harrison and his aides hope to hold the line with their "temporary" controls until scheduling of end products begins in June (page 21).

Electric power generating equipment: The controllers are screening all deliveries of generators and other heavy equipment needed in the production and distribution of electric power. They want to know where every piece of equipment goes and will veto shipments to projects and installations that rate low on their lists. This is a shift toward scheduling of all such equipment—that is, gearing production to specific power needs.

Petroleum chemicals: Estimates place the shortage of benzene at somewhere around 100-million gal. per year (BW—Aug.26'50,p34; Nov.25'50,p52). The government is asking the oil companies to increase their capacity by that amount by the end of next year. Today, only about 12-million gal. of benzene comes from oil and 165-million gal. from the steel industry's coke ovens. Benzene is a basic need for gasoline, synthetic rubber, plastics; it's required for the production of hundreds of end products. Petroleum Administration for Defense already has applications for fast amortization covering most of the increase.

Color Line

These miniatures of Ford cars ostensibly were built to help Ford stylists pick color combinations. But smart boys in Detroit think perhaps they give a hint of lines to come in next year's models—if any.

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BUSINESS BRIEFS

Big Steel will break ground Mar. 1 on its tidewater mill at Morrisville, Pa. Contracts have already been inked with Koppers Co. and Wilputte Coke Oven Division of Allied Chemical & Dye for open hearths and coke ovens.

•

Phonevision test results (BW—Nov.11 '50,p68) are "startling," Zenith Radio said. Four weeks of the pay-to-see television in Chicago showed that the average test family "went to the movies at home more than twice a week." Nine out of 10 families said they liked it better than going to theaters.

•

No coast-to-coast routes: That's what the Civil Aeronautics Board told three airlines—Eastern, National, and Delta—that asked for cross-country route extensions. The board said service could be provided better through interchange agreements.

•

Buick booked its biggest contract ever: $25-million from the Air Force to build British-designed J-65 Sapphire jet engines for U.S. fighter planes. Work will be done under license from Curtiss-Wright, holder of American rights to the engine.

•

Ford marked Atlanta for a major expansion, announced it would build a new $1.5-million parts depot and district headquarters there. Completion date is next September.

•

Shoe chain sold: A $1-million deal made General Shoe's subsidiary, General Retail Corp., the owner of the 46-store Nisley chain. Seller was Ohio's G. Edwin Smith Shoe Co., which operated the outlets in 19 states.

•

Conversion to a cellulose-sponge plant was what du Pont had in mind when it bought buildings of a farmers' co-op near Columbia, Tenn. Studies are already under way on layout and type of equipment to be installed.

•

World food output in 1950-51 has continued its climb, Dept. of Agriculture said. The estimate now is that production will be 2% ahead of a year ago, 4% above the prewar average. Catch: Because of the bigger population, per-capita consumption, in terms of calories, still isn't up to what it was in the 30's.

•

Stern Bros., big New York department store, has been, or will be, bought by the Allied chain, trade talk says. It's known Allied has been negotiating with Manufacturers Trust, holder of 40% to 45% of the Stern's stock.

GOOD DENTAL HEALTH

Dental authorities estimate that 98 per cent of our population suffer from some degree of tooth decay. Furthermore, dentists agree that the condition of the teeth and gums often has a direct effect upon general physical condition.

This is because the teeth are connected to other parts of the body through blood vessels, nerves, and tissues. Thus, infection in the teeth, if not checked, may spread throughout the system.

The maintenance of good dental health may not only help to prevent loss of teeth, but also to keep all-around health at a high level. Below are some safeguards most dentists recommend to help protect teeth and gums.

Protect the first teeth

By keeping the child's first teeth clean and free of decay, there is less likelihood of losing them prematurely and a better chance that permanent teeth will develop normally.

Authorities recommend periodic examinations beginning at age three. Sodium fluoride treatments, which help teeth resist decay, may also be given by your dentist.

Guard against teen-age decay

It is estimated that 95 out of every 100 high school children have some tooth decay. During teen years, teeth seem to be especially susceptible to cavities and eating too many sweets may contribute further to this condition.

Proper diet and regular dental care during these years may help to assure good dental and physical health throughout life.

Eat enough tooth-building foods

A diet rich in vitamins and minerals is one of the most important factors in building and maintaining sound teeth at all ages.

These elements are supplied by milk, meat, eggs, vegetables and fruits, bread and cereals, and fish liver oils. In addition, vigorous chewing of tough, crisp foods helps keep teeth and gums healthy.

Keep the teeth clean

The acids which cause decay are formed in the mouth soon after eating. Thus, to get the full benefit of the toothbrush, it should be used *after meals and especially before retiring*.

The dentist will be glad to advise you about the proper methods of keeping teeth clean.

Help protect the gums

Gum diseases affect about 80 per cent of the adult population. Frequently, such conditions are brought on by deposits of tartar which irritate the gums, and the infection may spread to other parts of the body.

By having the dentist treat infected gums early, it is usually possible to cure them and to prevent the spread of infection.

Visit the dentist regularly

Today, modern dental science has developed new measures to combat decay and has introduced improved methods to help control pain and infection.

Periodic visits to the dentist for cleansings, examinations, and necessary treatment are the best safeguards against serious conditions which may affect the teeth and the mouth.

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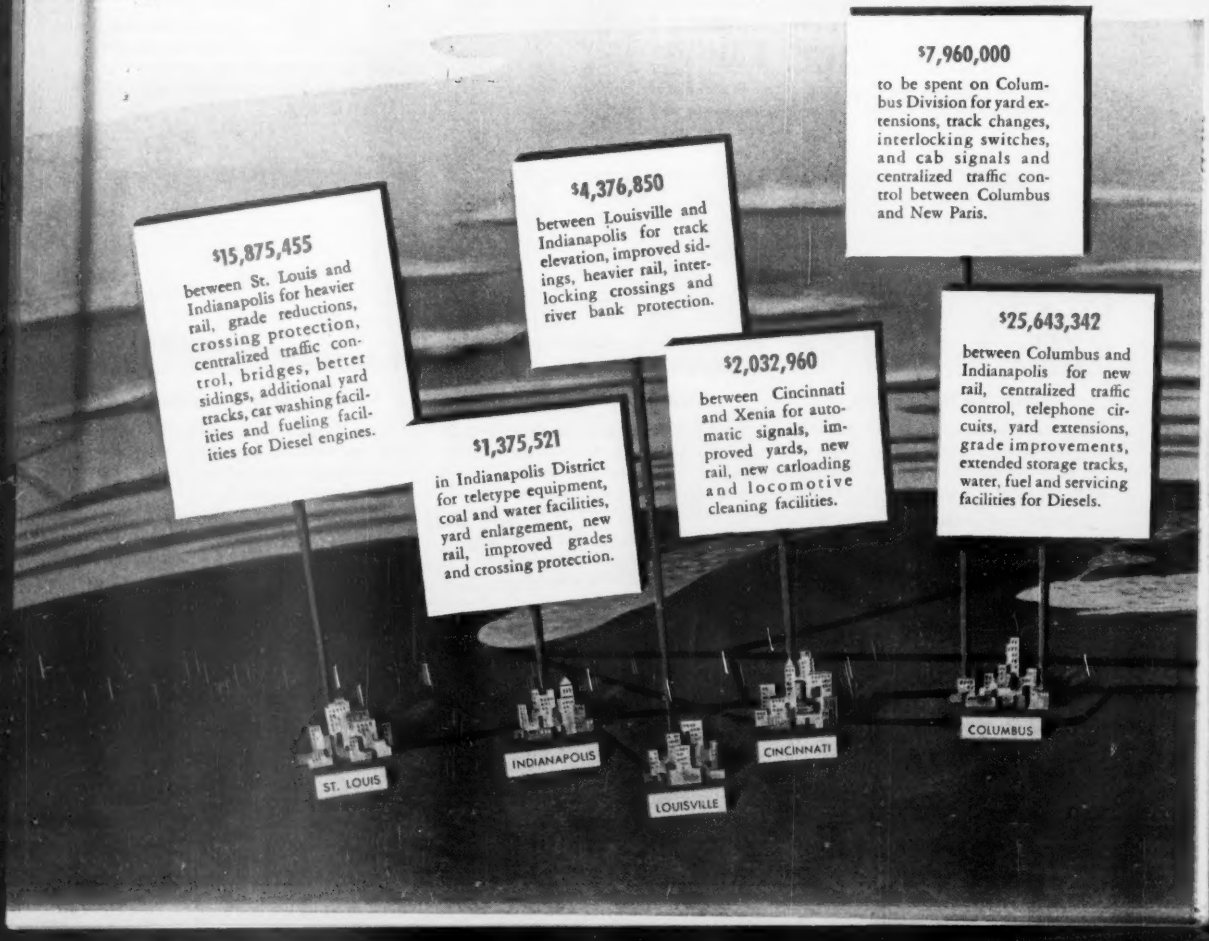
$15,875,455
between St. Louis and Indianapolis for heavier rail, grade reductions, crossing protection, centralized traffic control, bridges, better sidings, additional yard tracks, car washing facilities and fueling facilities for Diesel engines.
$4,376,850
between Louisville and Indianapolis for track elevation, improved sidings, heavier rail, interlocking crossings and river bank protection.
$7,960,000
to be spent on Columbus Division for yard extensions, track changes, interlocking switches, and cab signals and centralized traffic control between Columbus and New Paris.
$1,375,521
in Indianapolis District for teletype equipment, coal and water facilities, yard enlargement, new rail, improved grades and crossing protection.
$2,032,960
between Cincinnati and Xenia for automatic signals, improved yards, new rail, new carloading and locomotive cleaning facilities.
$25,643,342
between Columbus and Indianapolis for new rail, centralized traffic control, telephone circuits, yard extensions, grade improvements, extended storage tracks, water, fuel and servicing facilities for Diesels.
ST. LOUIS
INDIANAPOLIS
LOUISVILLE
CINCINNATI
COLUMBUS

IMPROVEMENTS

Route between East, West, South and Southwest

Note the improvements shown on these high signs of progress . . . an over-all program designed to meet any shipping requirement and give you finer, faster service than ever before.

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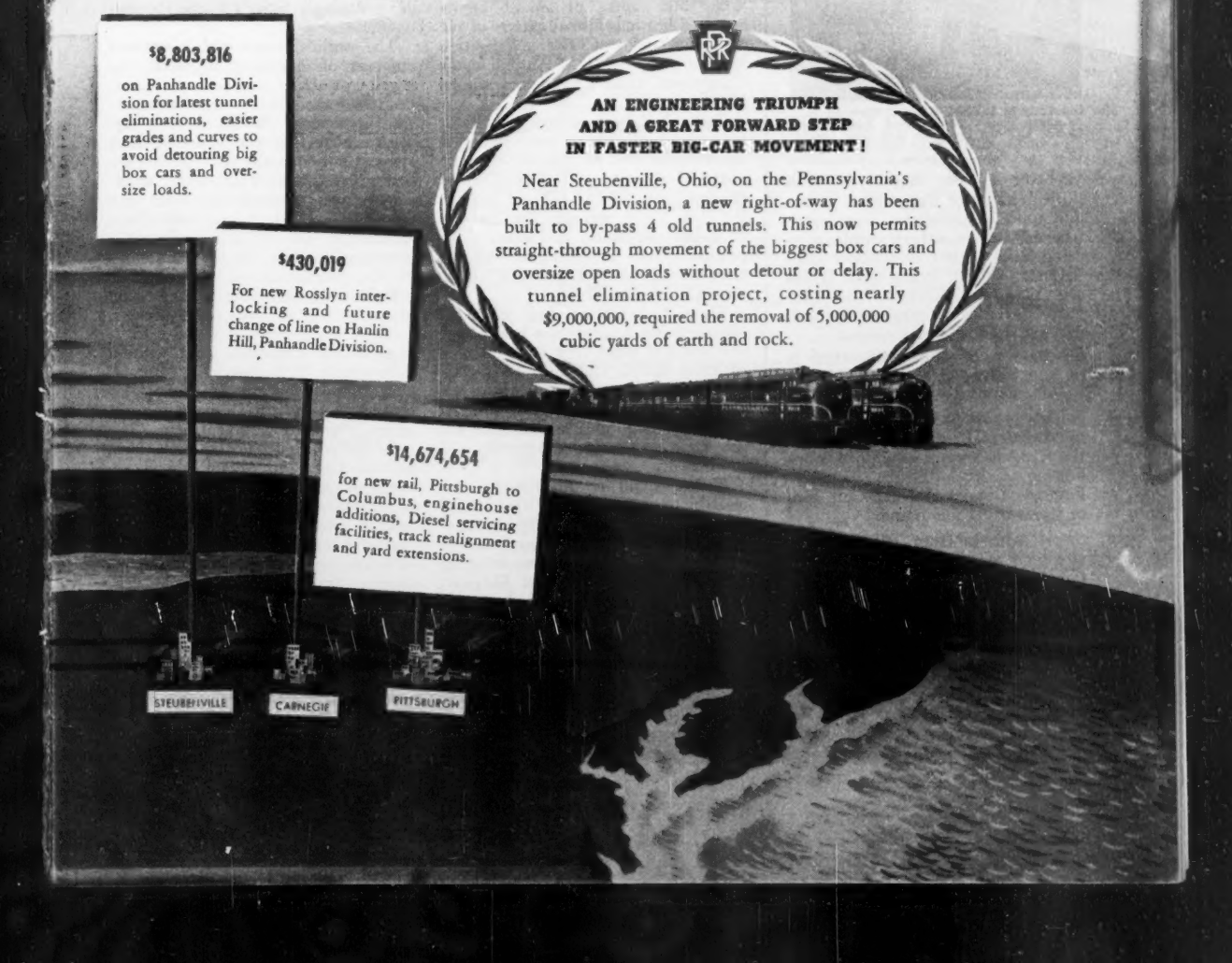
$8,803,816
on Panhandle Division for latest tunnel eliminations, easier grades and curves to avoid detouring big box cars and oversize loads.
$430,019
For new Rosslyn interlocking and future change of line on Hanlin Hill, Panhandle Division.
$14,674,654
for new rail, Pittsburgh to Columbus, enginehouse additions, Diesel servicing facilities, track realignment and yard extensions.
AN ENGINEERING TRIUMPH AND A GREAT FORWARD STEP IN FASTER BIG-CAR MOVEMENT!
Near Steubenville, Ohio, on the Pennsylvania's Panhandle Division, a new right-of-way has been built to by-pass 4 old tunnels. This now permits straight-through movement of the biggest box cars and oversize open loads without detour or delay. This tunnel elimination project, costing nearly $9,000,000, required the removal of 5,000,000 cubic yards of earth and rock.
STEUBENVILLE
CARNEGIE
PITTSBURGH

Heating A Great New Hospital

The formal opening of Our Lady of Lourdes Hospital on July 1, 1950, signalized the completion of a $4 million project which is the last word in hospital construction and equipment.

Steam was selected for the heating of this great institution—steam harnessed and brought under control with a Webster Moderator System of Steam Heating. An Outdoor Thermostat adjusts the steam supply with temperature changes.

Our Lady of Lourdes Hospital, Camden, N. J. Architect: Paul C. Reilly, New York. Builder: George A. Fuller Company, New York. Consulting Engineer: Sears & Kopf, New York. Heating Contractor: Daniel J. Keating Co., Philadelphia.

Webster System Radiators, with built-in radiator trap, valve, orifice and union connections, were engineered into sanitary enclosures integrated with the window construction. Metal fronts with grilles are readily removable. Radiator valve provides for positive shut-off, making damper unnecessary.

Operation of the institution is by the Sisters of the Third Order Regular of St. Francis.

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MODERATOR
SYSTEM
OF STEAM HEATING
"Controlled by the weather"

DEFENSE BUSINESS

U.S. Hikes Aluminum Goal

The aim now is 2.3-million domestic tons a year, 500,000 tons more than the mark set last fall. Earlier expansion plan, though, is still in snarls. No solid decision yet on Alcan deal.

The lid on aluminum is being raised again.

Up until last week, Administration mobilizers were pushing for 446,000 tons of additional capacity—an increase of about 60%. Now, with new estimates of aluminum needs for an all-out war, another 500,000 tons of capacity is sure to be asked for.

This will bring aluminum capacity to around 2.3-million tons per year—more than three times the industry's 1950 output of 720,000 tons. But the buildup will take time. Even the drive for 446,000 tons hasn't come out of snarls yet.

• **Three-Week Probe**—The call for more expansion is the inescapable conclusion from three weeks of almost unprecedented hearings into all phases of the aluminum industry. The investigation was run off by the House Antimonopoly Committee, under Chairman Emanuel Celler.

Celler had been plugging away at government officials to make sure that the 446,000 tons of capacity—the first phase of a two-step, 1-million-ton expansion projected last fall—got built in the U.S. Celler was reflecting the fear of Kaiser, Reynolds, and other independents that Administration officials were leaning toward a deal with Aluminum Co. of Canada.

• **Alcan Again**—Alcan had previously offered the U.S. aluminum from a huge new low-cost plant it is ready to construct in British Columbia (BW—Jan. 13'51,p27). What Alcan wants in exchange is a long-term purchase contract from the U.S., plus assurance it can get some construction materials and components.

Celler wound up his hearings last week by releasing a copy of a month-old telegram from Charles E. Wilson, mobilization boss, which seemed to rule out U.S. aid to Alcan. Answering an inquiry from the mayor of Skagway, Alaska, Wilson said on Jan. 11, "There is no present intention and no likelihood in the near future that the United States government will need or support power and aluminum plants" projected by Aluminum Co. of America in Alaska or Alcan in British Columbia.

This, however, might not be the last word. Last week Secretary of Commerce Sawyer—with full knowledge of new Munitions Board estimates on aluminum needs—told Celler's committee, "My opinion, in brief, is that we should get all the aluminum we can, as cheaply as we can, and from wherever we can."

• **Kibitzers**—Whatever happens, congressional "watchdog" committees will keep on kibitzing the Administration's handling of the aluminum expansion program. The economics and politics of aluminum guarantee it.

Economically, the one big fact about aluminum is this: It takes low-cost power to make aluminum at low cost. If your power costs are higher than your competitor's, he can close you down during a buyer's market by cutting prices.

The world's largest and lowest-cost producer of aluminum is Alcan; the lowest-cost U.S. producer is Alcoa. Both Alcan and Alcoa benefit from low-cost hydropower developed years ago when construction costs were low. Such low-cost power in the U.S. is now virtually nonexistent. Thus, under an expansion plan, aluminum produced with power from Ohio coal or Gulf Coast natural gas, will cost at least 2¢ to 3¢ more per lb. than Alcoa's aluminum—or Alcan aluminum.

• **Politics**—Here's where politics comes in:

Alcan says it won't go ahead with its huge British Columbia plant without a long-term U.S. purchase contract. U.S. producers—with the possible exception of Alcoa—can't expand enough, either, without government help.

So the political question boils down to this: Does the Administration encourage expansion of a low-cost foreign source—one which some time could conceivably out-compete domestic producers in the U.S. market? Or does it subsidize high-cost capacity at home—capacity that will be available earlier, and whose output the U.S. will control completely? Or does it now do both?

• **Waiting for Slices**—There are already half a dozen companies or groups preparing to cut themselves a slice of the new U.S. expansion. Celler and other antimonopoly spokesmen want to bring in additional producers, rather than

permit Alcoa, Kaiser, and Reynolds to expand more. The Big Three, as they're now called, have most of the 446,000-ton, first-phase expansion.

• **Writeoffs in Mess**—However, even the 446,000-ton expansion now being negotiated is all fouled up.

All along, the deals have been based on the government's permitting five-year amortization of 100% of the costs of the new facilities. But when Kaiser recently came to W. H. Harrison, chief of the Defense Production Administration, to close the first agreement, Harrison broke bad news: Charles E. Wilson had decided that Kaiser could have no more than 80% of its expansion costs under quick tax writeoffs.

As a result, Kaiser, Reynolds, and Alcoa now have to rearrange their financing plans, all of which were based on 100%. Kaiser and Alcoa may be able to go ahead eventually on this basis. But Reynolds claims it is stopped cold. And there's little doubt that such a ruling would freeze out the two newcomers, Apex Smelting Co. and Harvey Machine Co.

The mobilizers, though, seem to be figuring this way: Alcoa, Kaiser, and Reynolds got their breaks by buying at low cost government plants built during World War II. Now the Big Three aren't to get so much government help as Apex, Harvey, and others.

• **Shortage**—Despite plans for increasing capacity, the forecast is for progressively shorter supplies as far ahead as anyone can see. According to Interior's Defense Electric Power Administration, 1951 aluminum supplies will fall short of demand by 245,000 tons. By mid-1952, the over-all shortage will be 600,000 tons, and it will get worse thereafter.

This kind of shortage means that many of the fabricators who capitalized on the postwar demand for aluminum products are going to have to go out of business.

NPA Slaps Limits On Tinplate for Cans

Defense demands for tin have finally brought an official cutback in tinplate for cans. And the run for food packing substitutes is on again—just as in World War II.

To conserve tin supplies, the National Production Authority has issued four orders during the past five months. In the latest—Order M-25—NPA decreed a 10% cutback in use of tinplate as compared with last year. And it specifically prohibited tinplate for packing products not listed in the order.

• **Limits Set**—The amount of tin coating to be used on 347 specific items, mostly food, is fixed. Some items, in-

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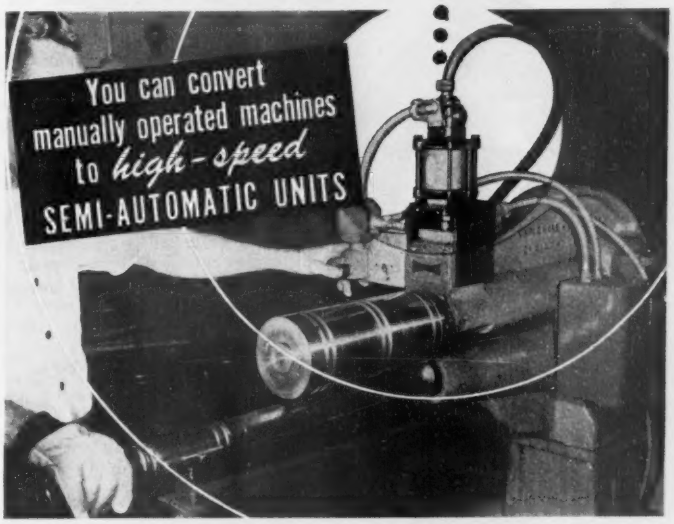
MORE PRODUCTION *Now!*



In your own tool room, usually within a few hours, you can convert many of your present machines into higher production units.

Installation of Bellows "Controlled-Air-Power" Devices to perform repetitive push, pull or lift motions not only results in substantially higher machine output, but in better uniformity and fewer rejects.

Take the machine shown above, for example. It was a standard bead rolling machine used by Radiant Tool & Die Corporation to roll strengthening beads on perforated oil filter cores. Operated manually it turned out 60 beaded cores an hour. But about twenty of these were rejects; some because the beads were too shallow (rolled too short a time), and others because the steel core was cut through (rolled too long).
A Bellows Field Engineer suggested that an electrically-controlled Bellows Air Motor be used to provide accurately controlled pressure for a controlled time interval. Production jumped to 125 per hour, every one usable.

This story isn't unusual. It's typical of hundreds in our case history files from nearly every industry.

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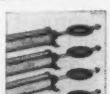
For more production now, convert manually operated machines to automatic units with Bellows "Controlled-Air-Power" Devices.

May we send you
The complete case history mentioned above (FF50-517) and a copy of "Faster, Safer, Better Production?" It's worthwhile reading. No cost. No obligation. Address: The Bellows Co., Dept. BW-251, Akron 9, Ohio.



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cluding orange juice, tomato juice, and most of the packed fish have no limitation.

Most vegetables, some seafood, and some fruit may not use during the first quarter of 1951 more than 100% of the tinplate used in either the first quarter of 1950 or 1949, at the canner's choice.

There is no indication of relief in subsequent quarters.

The order prohibits tinplate for packing beer, motor oil, antifreeze, paints, and dog and other animal foods.

NPA says the 1951 pack of perishable foods will not be affected, although the vegetable cans may have a thinner coating of tin. Food packers feel that it would be better to spread tin thinner than to cut the number of cans.

The cutback has raised rumors that can size restrictions may follow.

It's Moving Day In Washington

If you go to Washington, don't expect to find anything in its usual place.

The government hopes to make the city a less attractive target—and avoid the confusion and congestion of World War II—by moving more than 50,000 employees out of the "federal triangle" and Pentagon areas.

A "dispersal" program will transplant 40,000 employees to suburban Virginia and Maryland by the end of this year. Of these, 25,000 will be military, and 15,000 from 11 civilian agencies. Plans for the six new centers are already in the works. The program is expected to cost about $145-million for roads and new buildings.

A "decentralization" program will move nondefense agencies to such cities as Richmond, Charlotte, Winston-Salem, Atlanta, Indianapolis, and Denver.

And there's a musical-chair game going on inside Washington itself:

Division offices of National Production Authority this week were trickling out of the Commerce Building into the former General Accounting Office Building. Already moved and open for business are the transportation equipment, leather, textiles, forest products, containers and packages, pulp, paper, and board divisions.

Defense Production Administration will move into the same building as soon as the paint is dry. It'll occupy the quarters formerly occupied by the comptroller general.

Planners agree that the program will bring inconveniences. On top of the travel program for out-of-towners, it will mean dislocation of employees. Also, conferences agencies will be curtailed and communications hampered.

Fast Cargo Ships

Government awards contracts for 25 new-type ships. They'll be operated by a new agency like World War II's WSA.

The government is going back into the shipping business.

Last week Maritime Administrator Vice-Adm. E. L. Cochrane announced contract awards for 25 entirely new-type cargo ships. And an executive order that will establish an agency to operate the new ships was awaiting presidential signature. To shippers, these developments indicate that government controls are just around the corner.

• **Blueprints**—The new building program has no place in it for slow cargo vessels like the Liberty ships of World War II. The new ships will cost the government a total of about $200 million, and they will have twice the speed of the Liberties. Specifications call for 20-knots. The ships will be 525 ft. in length with a dead-weight tonnage of 12,500. The first group will bear nicknames of the states, plus the class designator of "Mariner."

Contracts for five ships were awarded to each of five shipyards: Newport News Shipbuilding & Drydock Co., Ingalls Shipbuilding Co., Sun Shipbuilding & Dry Dock Co., and two Bethlehem Steel Co. yards.

• **Three-Way Argument**—The decision as to which type of ship should be built first stirred up quite an argument in shipping circles:

• The National Federation of American Shipping holds that the U. S. needs more troop transports.

• The Maritime Adminstration agrees, but claims the need for cargo ships fast enough to outrun submarines is greater. It says that the 74 vessels converted by the government during World War II can be pressed into troop service. Also, there is a sufficient number of ships in the pool of allied merchant shipping under the North Atlantic Treaty to draw on should they be needed.

• The Military Sea Transportation Service sides with Maritime, but says that speed is not the only factor in overcoming a submarine menace. During World War II vessels with very slow speeds relied on intelligence reports, plus routing and diversion.

Regardless of the arguments, the cargo ship construction program is now under way. Current plans call for about 50 ships of the new type.

• **Government-Operated**—The agency that will operate the government-built vessels will be the National Shipping

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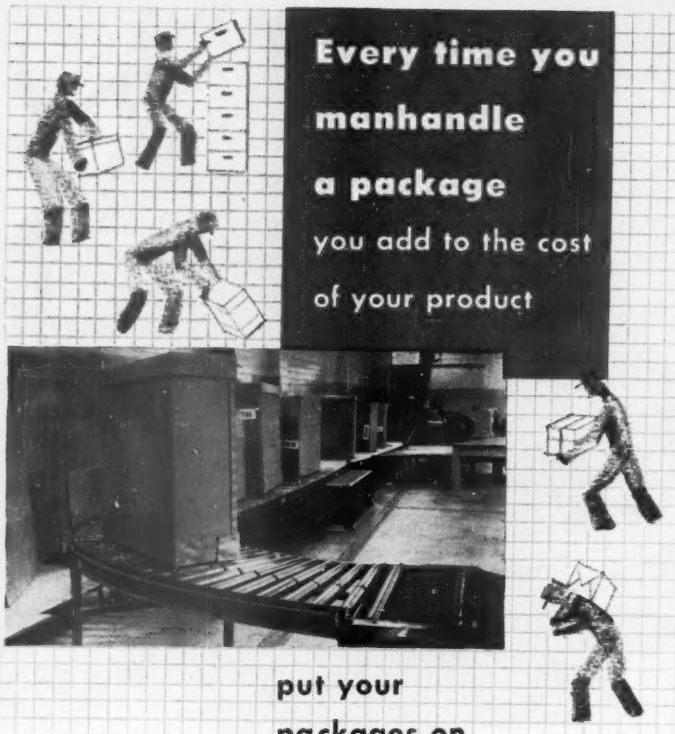

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Authority, headed by Maritime's Charles H. McGuire.

NSA will follow the pattern set by the War Shipping Administration during World War II. It will have responsibility for operating vessels, and training and recruiting the personnel to man them. The agency might also be placed in charge of all U.S. shipping, if the government moves in completely.

During World War II, WSA took title to all U.S. ships, leased them to American operators under general agency agreements. The operator had all expenses paid by the government, and was paid a 6% profit for operations. With rising costs cutting into profits, many operators would welcome such an agreement again—even before a shooting war might require complete government control.

DEFENSE BUSINESS BRIEFS

Commercial building restrictions went into effect Feb. 15. Regional NPA offices will handle requests for licenses for jobs costing under $1-million. Washington will pass on the bigger jobs and on appeals from local rulings.

•

Low-voltage equipment needs a 90% production stepup to meet building needs, manufacturers told NPA in asking for materials allotments. The industry, which makes such items as switches for factories and barracks, was told to wait for the Controlled Materials Plan.

•

Keep on building 'em: That was the good word that NPA passed on to manufacturers of textile machines. The industry will keep busy, at least until civilian and military textile needs are spelled out exactly. In World War II part of the industry converted directly to war production.

•

Diesel engine production may be restricted to military and essential civilian uses. That's the tip that NPA gave manufacturers when they asked for help in getting materials to fill their few DO orders.

•

Hand tools will be limited to a few standardized kinds and types, under an order now in the works. An industry committee is working out details.

•

Optimists in NPA hope its paper order won't reduce civilian supplies. The industry isn't so sure. The order requires that 5% to 10% of monthly production be put in reserves to meet government needs.

Expansion Roll Call

NSRB so far has approved fast tax writeoffs for 109 companies that plan to build defense plants.

You can now get some idea of the size and character of the capital expansion boom that the defense program is generating. The picture isn't complete by a long way. But you can tell a good deal by going down the list of companies that have received permission to apply five-year amortization to new facilities (BW–Oct.21'50,p60).

• **Rush of Applications**—Already 1,500 companies have applied to the National Security Resources Board for this tax benefit. Of these, 109 companies have had their applications approved. This means that in calculating taxable income they can write off all or part of the cost of the new plant at the rate of 20% a year for five years.

The approved certificates cover two kinds of expansion: (1) facilities for expanding output of basic raw materials; (2) facilities for producing items directly or closely related to military end-items.

• **Not Binding**—But getting a certificate doesn't mean that the company is committed to the expansion. For any number of reasons, it may not go ahead with its plans. Some projects, for instance, will fall through because their backers can't arrange the necessary financing.

And a certificate doesn't necessarily grant the tax amortization benefits for 100% of the amounts indicated in the list. For instance, Jones & Laughlin—the first company to get this approval—got benefits on about 55% of an expansion program amounting to $144-million (BW–Dec.16'50,p24). On the other hand, companies expanding to produce a strictly military item may get as much as 100% amortization.

Here's the list of companies that have their certificates:

Iron and Steel:

Jones & Laughlin Steel Corp., Cleveland. Iron ore unloader. $3,182,000.

Northwestern Steel & Wire Co., Sterling, Ill. Melting stock. $12,002,000.

Donner-Hanna Coke Corp., Buffalo, N. Y. Coke ovens. $2,324,736.

Great Lakes Steel Corp., River Rouge, Mich. Coke ovens. $18-million.

Kaiser Steel Corp., Fontana, Calif. Steel ingots, tin plate. $24,595,000.

Crucible Steel Co. of America. Coal, steel ingots, pig iron. Crucible (Pa.) plant, $1,127,749; Midland (Pa.) plant, $26,124,144.

Woodward Iron Co., Woodward, Ala. Pig iron. $4.5-million.

Alabama By-Products Corp., Tarrant,

One of the three employee cafeterias Crotty-operated for U.S. Rubber at their Naugatuck, Eau Clair and Providence plants.

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FIRST Famous for its specialization in rubber, U.S. found that running a cafeteria called for another kind of specialist. One reason the job was turned over to Crotty Brothers, Inc., was because Crotty has concentrated on industrial feeding *exclusively for 20 years.*

SECOND Another reason was Crotty's performance record. For among the many prominent companies now served across the country, 15 have been Crotty customers for *over 10 years.*

THIRD Finally, Crotty's long experience in working with other manufacturers was a factor. This has given Crotty Brothers an understanding of company personnel policies and their importance... and the industrial relations benefits of a well-run, well thought of employee restaurant.

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assumes full responsibility for the complete and satisfactory operation of your plant cafeteria or restaurant ...provides an expertly trained staff that takes over all the problems... saves valuable supervisory time, trouble and expense... and provides *better food at equal or lower costs.*

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That's because Dunham's precision temperature control system utilizes a "continuous" flow of sub-atmospheric steam at pressures and temperatures that vary automatically with the weather. Since heat supply and demand are *always* in perfect balance, there is never any need to overheat and waste valuable fuel dollars.

Seven different Vari-Vac systems are available, depending on the degree of control desired. All are adaptable to any size or type of building . . . new construction or "changeover" job.

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HEATING SYSTEMS & EQUIPMENT

Ala. Metallurgical coke, benzene, tar. $2,418,636.

Keystone Steel & Wire Co., Peoria, Ill. Steel ingots. $1.5-million.

Armco Steel Corp., Houston, Tex. Steel ingots, coke, pig iron. $71,518,981. Zanesville (Ohio) plant, $1,426.725; Middletown, Ohio, $49,046,700.

Sheffield Steel Corp., McAlester, Okla. Coal. $10.5-million.

McLouth Steel Corp., Trenton, Mich. Steel ingots. $26,350,348.

Oceanside Machine Shop. Steel parts for planes. Plymouth (N. H.) plant, $31,035; Oceanside, N. Y., $12,584.

Spencer Wire Co., Inc., Union & Passaic County, N. J. Copper and steel wire. $1,215,685.

Allegheny-Ludlum Steel Corp., Brackenridge, Pa. Alloy steel sheets. $5,266,000.

Wel-Met Co., Kent, Ohio. Bearings. $412,534.

Marcus Mason & Co., Inc., Westboro, Mass. Couplings. $83,071.

Pittsburgh Steel Co., Monessen, Pa. Pig iron, ingots, plates. $18,131,000. Westmoreland County (Pa.) plant, $38,087,000.

Bethlehem Pacific Coast Steel Corp. Steel ingots, nuts, bolts. Los Angeles (Calif.) plant, $5,371,000; South San Francisco, Calif., $362,000.

Bethlehem Steel Co. Pig iron, coke, steel ingots. Lackawanna (N. Y.) plant, $75,034,000; Steelton, Pa., $4,473,000; Sparrows Point, Md., $56,014,000.

Marsh Steel Corp., Kansas City, Mo. Steel warehousing. $215,650.

Aircraft

Shaefer Machine Co., Brooklyn, N. Y. Fittings for aircraft. $21,385.

Grumman Aircraft Engineering Corp., Bethpage, N. Y. Plane parts. $88,825.

United Aircraft Corp. Aircraft and parts. Pratt & Whitney, $19,847,085; Sikorsky Division, $2,691,105; Hamilton Standard, $2,369,460.

Austenal Laboratories, Inc., Rockaway, N. J. Plane parts. $292,850.

Star Tool & Die Works, Detroit, Mich. Plane fixtures. $266,000.

Collins Engineering Co., Inglewood, Calif. Plane hardware. $95,000.

Deutsch Co., Los Angeles. Plane parts. $354,179.

Island Machine Co., Inc., Farmingdale, N. Y. Aircraft parts. $45,928.

Cook Electric Co., Chicago, Ill. Aircraft parts. $276,094.

Aircraft Fittings Co., Cleveland. Aircraft parts. $124,506.

General Laboratory Associates, Inc., Norwich, N. Y. Plane parts. $83,100.

Gould-National Batteries, Inc., Chicago or Detroit. Ordnance & aircraft batteries. $1,056,500.

Apex Tool Co., Inc., Bridgeport, Conn. Plane engines, parts. $139,754.

MB Mfg. Co., Inc., New Haven, Conn. Plane engine fittings. $108,240.

Aircraft Products Co., Clifton Heights, Pa. Plane parts. $12,354.

Extruded Hinge Co., Ypsilanti, Mich. Plane hinges, connectors. $21,500.

Glenn L. Martin Co., Middle River, Md. Aircraft. $76,496.

Howard Foundry Co., Chicago. Plane parts. $1,222,175.

Republic Aviation Corp., East Farmingdale, N. Y. Aircraft. $5,348,047.

Minneapolis-Honeywell Regulator Co., Minneapolis, Minn. Plane controls. $6,104,618.

Aero Trades Mfg. Co., Mineola, N. Y. Plane parts. $37,000.

Avco Mfg. Corp., Williamsport, Pa. Plane parts. $23,468.

National Water Lift Co., Kalamazoo, Mich. Plane parts. $47,803.

South Bend Screw Products, Inc., South Bend, Ind. Plane engine parts. $75,551.

McDonnell Aircraft Corp. (five plants). Aircraft parts. $1,115,922.

Cablair Products Co., Culver City, Calif. Airframe parts. $64,935.

Boeing Airplane Co., Seattle, Wash. Aircraft. $343,107.

Sundstrand Machine Tool Co., Rockford, Ill. Plane parts. $3,577,780.

Alexson Mfg. Co., Montebello, Calif. Plane parts. $1,125,000.

Tube Processing, Inc., Indianapolis, Ind. Fuel and oil lines. $12,425.

Transportation

Chicago & Eastern Illinois R.R. Co. Box cars, gondolas. $4,140,000.

Lehigh Valley R.R. Hopper and box cars. $8,535,490.

Chesapeake & Ohio R.R. Co. Freight cars. $31,587,000.

Jackson-Hope Towing Co., Inc., Mobile, Ala. Barges. $94,360.

Seaboard Air Line R.R. Co. Rails. $16,112,014.

Pittsburgh Steamship Co. Lakes ore shipping. $16.5-million.

Bradley Transportation Co. Lakes freighter. $6,490,000.

Electric

Sylvania Electric Products, Inc., Boston. Appliances. $1,075,000.

Minneapolis-Honeywell Regulator Co., Freeport, Ill. $650,000.

Mechanical Products, Inc., Jackson, Mich. Appliances. $159,857.

Raytheon Mfg. Co. Electronic equipment. Waltham (Mass.) plant. $2,007,720; Quincy, Mass., $800,000.

J. P. Seeburg Corp., Chicago. Radio apparatus. $127,230.

Blaw-Knox Co., Blawnox, Pa. Radio equipment. $50,900.

Machlett Laboratories, Inc., Springdale, Conn. Equipment. $555,000.

Tung-Sol Lamp Works, Inc., Bloomfield, N. J. Electron tubes. $60,600.

Radio Receptor Co., Inc., Brooklyn, N. Y. Electronic equipment. $490,000.

Miscellaneous

Mexico Refractories Co., Mexico, Miss. Refractory brick. $1,409,950.

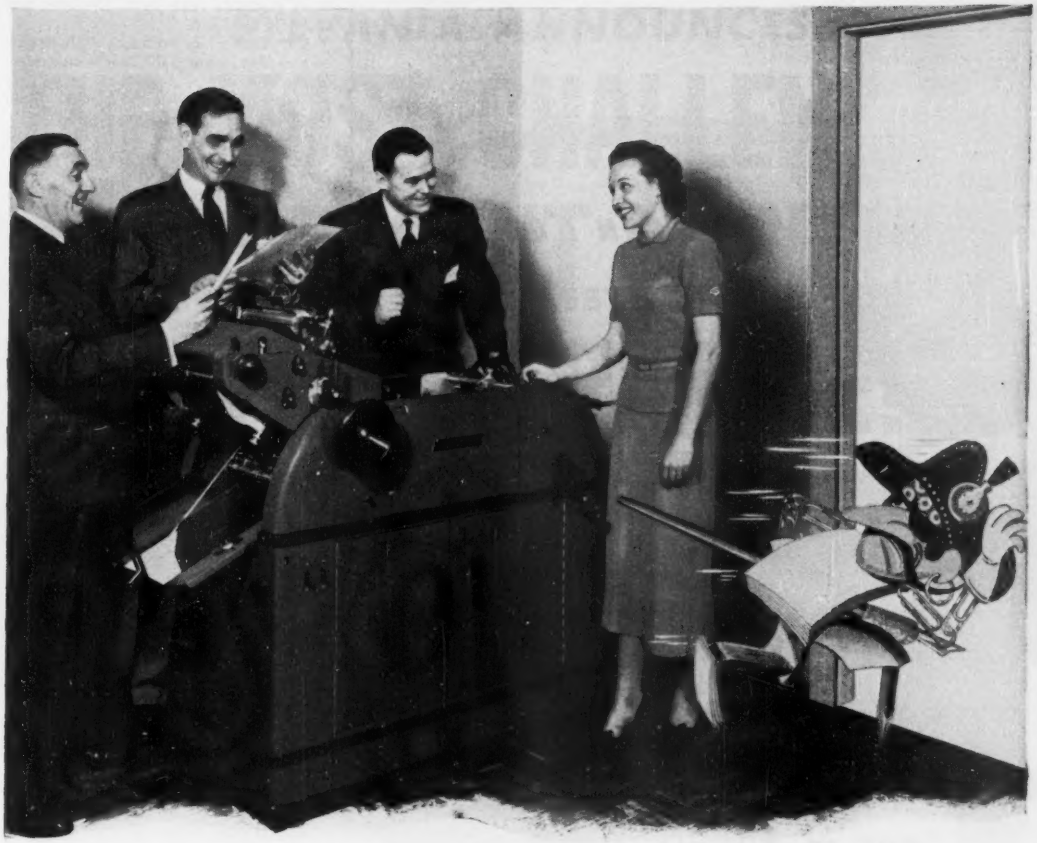
Dolite Co., Gibsonburg, Ohio. Refractory brick. $837,404.

Walsh Refractories Corp., Vandalia, Miss. Refractories. $335,850.

Big Savage Refractories Co., Frostburg, Md. Refractories. $581,762.

North American Refractories Co., Wolmelsdorf, Pa. Silica brick. $281,024.

General Refractories Co. Refractory



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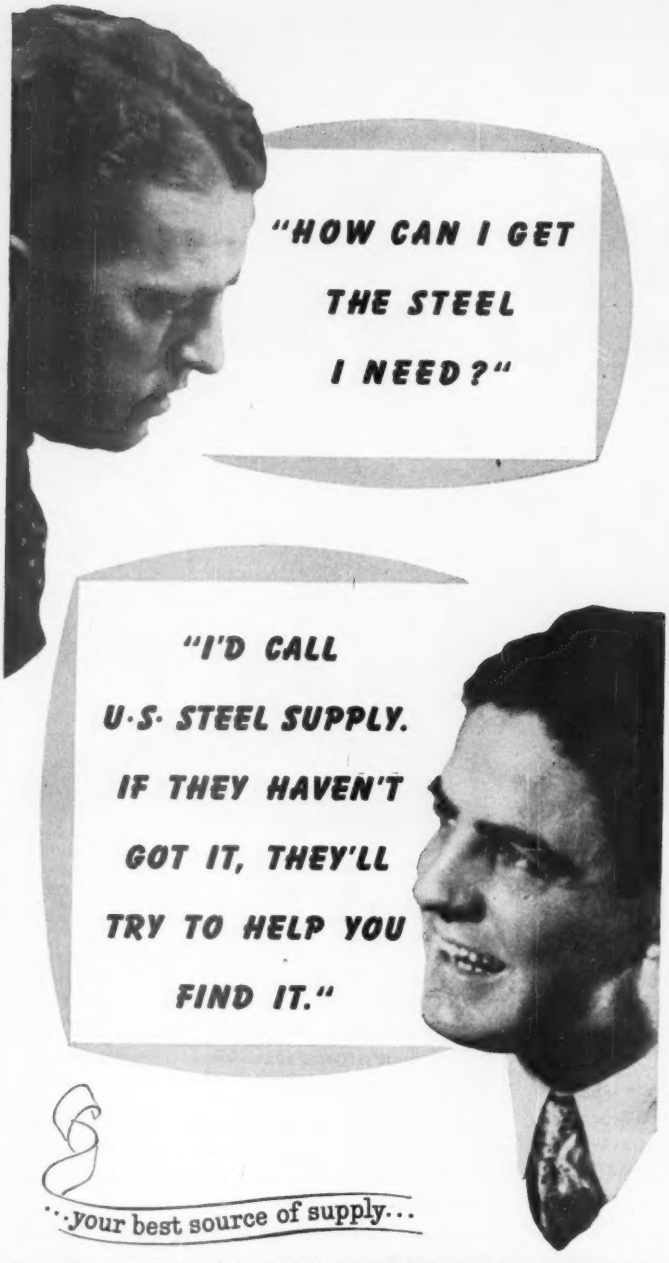
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UNITED STATES STEEL

brick. Rockdale (Ill.) plant, $548,100; Los Angeles, $602,326.

A. P. Green Fire Brick Co. Refractories. Mexico (Mo.) plant, $407,265; Woodbridge, N. J., $294,229.

Ironton Fire Brick Co., Ironton, Ohio. Brick and plastic refractories. $170,000.

Allied Control Co., Inc. Relays and coils. Plantsville (Conn.) plant, $56,149; New York, N. Y., $35,430.

Quaker Rubber Corp., Philadelphia. Rubber goods. $1,218,553.

Aeroquip Corp., Jackson, Mich. Hose lines. $376,367.

Edson Tool & Mfg. Co., Belleville, N. J. Battery boxes. $25,000.

Owens-Corning Fiberglas Corp., Newark, Ohio. Fibrous glass. $750,000.

S. K. Wellman Co., Bedford and Cleveland, Ohio. Clutch & brake parts. $3,678,770.

Copper Alloy Foundry, Hillside, N. J. $243,358.

Houdaille-Hershey Corp., North Chicago, Ill. Tank parts. $640,000.

Parker Appliance Co., Cleveland, Ohio, and Berea, Ky. Rubber rings, gaskets, seals. $512,721.

Switlik Parachute Co., Inc., Trenton, N. J. Parachutes, life vests. $249,048.

Raybestos-Manhattan, Inc., Stratford, Conn. Clutch plates. $359,007.

Struthers Wells Corp., Titusville, Pa. Gun tubes. $17,501.

Seren Tool & Mfg. Co., Cincinnati. Tank gun assemblies. $2,832.

Air Reduction Co., Inc., Johnston, Pa. Oxygen. $562,125.

Dow Chemical Co., Madison, Wis. Magnesium fabrication. $27,352,000.

White Fuel Corp., Boston. Petroleum products storage. $800,000.

Brooks & Perkins, Inc., Detroit. Magnesium alloys. $573,500.

American Lava Corp., Chattanooga, Tenn. Ceramic cores. $712,140.

Northwest Magnesite Co., Cape May, N. J. Magnesite. $5,811,091.

McPhillips & Co., Inc., Trenton, N. J. Parachutes. $34,180.

Warren Webster & Co., Camden, N. J. Booster metal parts. $250,000.

Owens-Corning Fiberglas Corp., Spartanburg or Anderson, N. C. Fibrous glass. $7,086,500.

M. W. Kellogg Co., Jersey City, N. J. Engines. $154,084.

Massey-Harris Co., Racine, Wis. Carriages, howitzers. $1,806,196.

Deutsch Co., Los Angeles. Hydraulic fittings. $54,334.

Whitney Blake Co., Hamden, New Haven, Conn. Field wire. $451,951.

Miller Printing Machinery Co., Pittsburgh, Pa. Gun mounts. $125,000.

Detroit Kellering Co., Detroit. Machining of engine mounts. $103,970.

A. O. Smith Corp., Houston, Tex. Pipegas transmission. $7,605,990.

Progress Mfg. Co., Inc., Philadelphia. Spot welding. $14,214.

Silent Glow Oil Burner Corp., Hartford, Conn. $30,040.

Filtrol Corp., Salt Lake City, Utah. $2,705,109.

Lewyt Corp., Long Island City, N. Y. Communications equipment. $3,194,783.

Union Oil Co. of California, Wilmington, Calif. $135,000.

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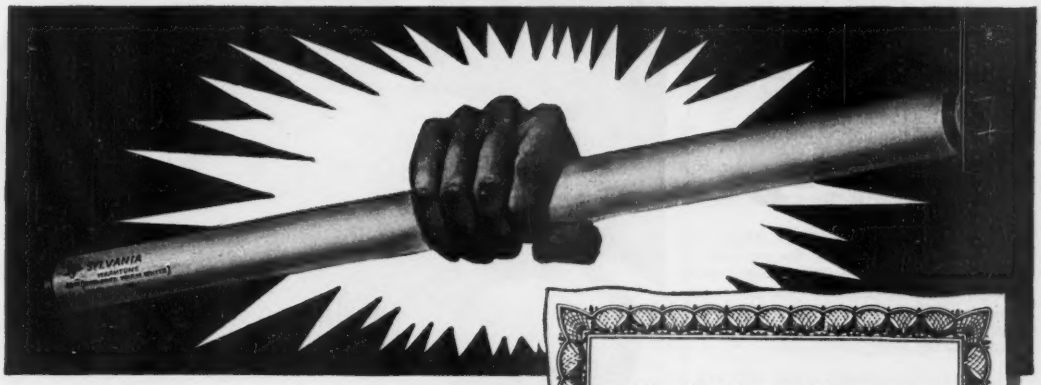

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PEOPLE

MIKE DISALLE knows that earlier price stabilizers died like flies. But the . . .

Expendable Man Isn't Scared

His goal: a gradual leveling off of prices. He knows that's a big order, with a nation ready to hate him if he fails. But cheerful, chubby DiSalle still thinks he'll do it, then become Ohio's governor.

The coolest man in Washington now is the man with the hottest job.

Michael V. DiSalle knows that practically every U. S. citizen may soon be hopping mad at him—a distinction that even President Truman or Dean Acheson cannot claim.

• **Unruffled**—But the roasting that's already coming his way as Director of Price Stabilization hasn't ruffled his monumental calm.

"I don't take myself seriously," he says, "because price stabilizers are always expendable; but I'm serious about the job."

DiSalle just isn't the excitable type. Whenever the heat goes on, DiSalle simply lights up a long, smelly cheroot and dead-pans a wisecrack, aimed at himself. That usually starts the temperature moving down; if it doesn't, he will smile apologetically—but he won't brood.

Another reason for his enduring calm: DiSalle had few illusions when he resigned as Mayor of Toledo to take over the job of keeping prices steady. He knew that he was in for personal abuse and political disaster if he failed. He knew, too, that 30 prominent citizens had refused to take the chance. And he still winces every time he

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The answer to that question depends upon the production you are getting out of your present machines.

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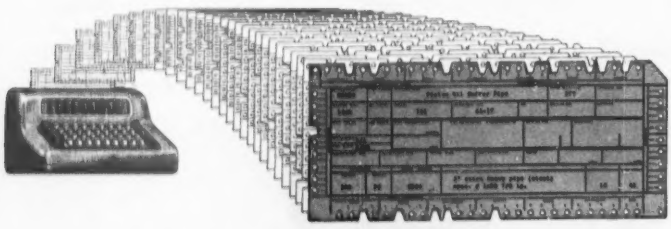
And because Keysort cards are retained as the original records through the whole record-keeping operation, you're spared the errors and the costly time lost in copying and recopying.

With your present personnel, *without* costly installations, McBee Keysort cards and machines provide you with accurate and useful management controls at less cost than any other system. When notched, the pre-coded holes along the edges of the Keysort cards make it easy to *collect* a wealth of data . . . *classify* it . . . *summarize* it . . . *file* it . . . *find* it . . . *use* it . . . quickly and accurately.

Because McBee systems save executives time, money, work and worry, McBee sales have multiplied *sevenfold* in just a few short years.

Ask the trained McBee representative near you to drop in. He can tell you frankly whether or not McBee can help you. Or write us.



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thinks of the punishment that fell to the men who bossed price control during and after World War II, and the youthfulness of all three; he was 43 last month.

• **Looking Ahead**—Obviously, taking the post required courage, though barrel-like DiSalle dismisses his hardiness with an earthy explanation: "The President said the job needs a man with guts—and I've got one." But, of course, DiSalle had personal reasons for accepting the appointment: he would like to run for Governor of Ohio in 1952.

Some businessmen, after a first meeting, have come away with the impression that DiSalle is a buffoon—though, paradoxically, they find that they agree with his hard-headed way of looking at things.

• **Quips That Relax**—Some of DiSalle's witticisms are pretty feeble. But they are not primarily supposed to be funny. He uses the wisecrack to ease tension, smooth angry feathers, so he can get things done.

One of his limpest efforts came at the start of a meeting with a suspicious scrap industry committee. An assistant was describing the threat of war as a sword of Damocles hanging over the nation. DiSalle, who had been silently absorbing the glares of the businessmen, interrupted to ask: "Think they made the sword out of scrap?" The committee men giggled nervously, then broke into belly laughs. With the ice broken the group went on to one of the most successful sessions DiSalle has so far had.

• **Demon for Work**—Of course, all the goodwill and sincerity in the world aren't going to stabilize prices. But DiSalle isn't counting on personality alone. He is milking dry the capacity for hard work he brought with him from Toledo, where they tell this story:

He was acting as mediator in an industrial dispute. After five hours of negotiation, the union took time out for lunch while DiSalle stayed to talk with the company. After another six hours, the management representatives broke for dinner, while DiSalle kept at it with the union. The issue was settled after 19 hours; DiSalle had not eaten all day.

In Washington, DiSalle has followed a similar routine, varying it with quick meals snatched at his desk.

• **Newcomer**—DiSalle's present post is his first job in Washington. Toledo is his home town and he thinks it always will be.

DiSalle's father was a metal-polisher who emigrated from Italy. When DiSalle finished up at Washington's Georgetown law school, he went back home to practice.

His gregariousness and background made him a natural for politics. So

"I don't take myself seriously, because . . .

Price stabilizers are always expendable."

when he ran for the State Legislature, he won handily.

DiSalle turned out to be an astute politician. He was not a ward-heeler; he found out early that keeping promises paid off in the long run. So when he stood for member of the Toledo City Council, he had no trouble at all.

In Toledo, the City Council elects the mayor, which means that DiSalle was really not much more than chairman of the board. But even so, he is responsible, in whole or part, for three or four reforms that attracted nationwide interest.

• **Labor Plan**—Probably his largest achievement was the Toledo plan for settling labor disputes. At the death of the old War Labor Board, DiSalle dreamed up this scheme for mediation by labor-management-citizens committees. It worked fine. During negotiations, workers stayed on the job, instead of the picket line. Toledo had ranked fourth in the U.S. in man days lost due to strikes in 1944; by 1946, it dropped to 49th place.

DiSalle's civic record, however, was not the thing that got him the price stabilizer's job. He was nominated by Eric Johnston—now Economic Stabilization Administrator. Johnston first heard of DiSalle from a union chief DiSalle had worked with under the Toledo plan.

• **Duty to Serve**—Why did DiSalle take such a thankless job? For one thing, he thought he could handle it. For another, he felt an obligation to serve, though he realizes that a reason like that sounds awfully phony to a cynical Washington.

But DiSalle is ambitious, too.

Last year he set out to get the Democratic nomination for U.S. Senator from Ohio. He worked hard but lost out to Joe Ferguson, who was resoundingly whipped by Robert Taft last November. DiSalle lost the nomination because he didn't have the organization outside of Toledo—a situation he is currently trying to rectify.

If DiSalle can get the price spiral under control, he's got a chance to get the housewife's vote; right now, women aren't too happy. Then he could easily get the governor's spot on his party's ticket—and probably win easily, too.

If he fails? DiSalle shrugs. "I won't be elected dog-catcher," he says.

• **"Right" Side**—But right now, he doesn't see why he should fail. The record may not show it too clearly, but DiSalle has been on what he thinks is the popular side of every pricing-policy question that has come up so far.

Indeed, DiSalle is constitutionally incapable of being on the unpopular side of any issue.

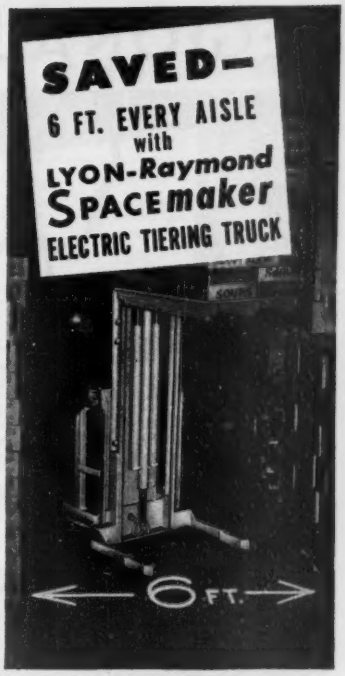
Of course, DiSalle is no economist; at any rate, he wasn't one when he started work last December. But he has been finding out what the "right" side is in a hurry—by boning up on the history of price control in World War II, and by picking the brains of every expert he could find, including his predecessors.

In the process of learning, DiSalle has developed a healthy respect for the government and private economists who have been helping him set price policy. He will listen to anything and everything they have to say. When the talking is through, however, he makes up his own mind—even if it means going against the opinions of the experts.

He was for a mandatory freeze back in December—but Alan Valentine (his boss at the time) tied his hands. When the freeze did come, he was for rollbacks—but this time the White House overruled him.

DiSalle is also keeping his political fences in order. On the witness stand at committee hearings, he answers questions frankly. Against the advice of his staff of Washington veterans, he will even give out target dates and figures.

• **Leveling Out**—He's frank about what he wants to accomplish: a leveling out in the price rise sometime this year, not a rigid freeze tomorrow.



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REGIONAL REPORT

Federal Reserve District	December 1950	November 1950	December 1949	Federal Reserve District	December 1950	November 1950	December 1949
1. Boston	215.0	215.3	180.5	8. St. Louis	262.3	259.3	222.7
2. New York	235.3	232.4	195.6	9. Minneapolis	290.2	286.2	238.6
3. Philadelphia	237.9	237.1	200.0	10. Kansas City	311.1	301.3	256.0
4. Cleveland	244.1	239.3	200.6	11. Dallas	333.9	319.4	277.8
5. Richmond	262.5	260.9	217.7	12. San Francisco	290.8	287.5	241.3
6. Atlanta	294.0	288.3	247.0	U. S. Composite	261.9	258.0	217.0
7. Chicago	263.8	259.6	214.5	1941=100 adjusted for seasonal December figures preliminary; November revised			

Bigger Retail Payrolls Boost Income

Income resumed its upward trend in December, due principally to a rise in retail payrolls. Factory payrolls were up only slightly; factory employment actually dropped a bit, on the basis of preliminary figures.

Although no figures are available, this trend probably continued in January. And after the Christmas rush, of course, retail payrolls dropped off. So the overall income index seems due to flatten out again.

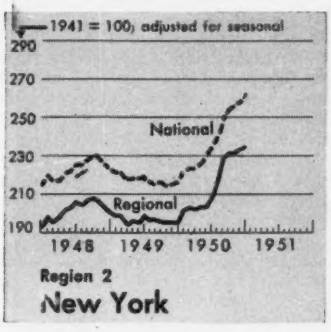
But even so, things are better than most people thought they would be at this time. Materials restrictions haven't yet taken their full toll of civilian production. And conversion unemployment hasn't been nearly so bad as many had expected. The prospect of heavy capital spending (page 36) brightens the outlook generally.

Regionally, the Dallas and Kansas City districts had the best income records in December, New England and the Philadelphia region the worst. As compared with a year ago, income changes by regions fall within a surprisingly narrow range. The two biggest gainers are the heavy industrial regions, Chicago and Cleveland, with increases of 23% and 21.7%, respectively. The St. Louis region, with plus 17.8%, gained the least.

The weather has been bad for agriculture in the past months. High winds, extreme cold, and complete absence of snow cover have damaged winter wheat in the southern Great Plains, and in a wide band across the Gulf and South Atlantic states. Drought is also becoming increasingly serious in the southwestern Great Plains—the old dust-bowl

area that was hit so hard by drought last year.

In Texas, the unusual cold did a lot of damage. Citrus was hardest hit. The 20% of the crop still unharvested was ruined, and many young trees were killed.



The important soft-goods industries continue to work almost entirely for the civilian market. They are operating close to capacity on orders from retailers all over the country who are eager to stock up in the face of high consumer demand and in anticipation of shortages to come.

The dominant clothing industry, particularly, has had a strong lift from the unusually high level of department store sales since Christmas.

And unless material shortages become a serious problem, these industries should continue operating at peak levels. Dress orders in the New York market are reported up 10% to 15% over a year ago. Women's coat and suit manufacturers report record reorderings.

Relatively few orders for major defense items have been placed in this region, but its durable-goods industries—particularly metalworking and electrical equipment—are working at capacity on orders related to the defense program. The brass industry around Bridgeport is getting a lot of war business, but on balance it's still laying off men because of inability to get materials for nonessential uses. The region's aircraft industry—including Republic and Grumman on Long Island, Curtiss-Wright and Bendix in northern New Jersey, and Bell at Buffalo—has had a big expansion. And Avco Mfg. has just leased a Stratford (Conn.) plant and will hire 5,000 to 7,000 there to build aircraft engines.

Northern New Jersey, because of the heavy concentration of war-goods industry, is one of the region's strongest spots; employment there is at a new postwar peak. Rochester is another strong spot; plants with war contracts have snapped up the few workers who have been laid off, and an acute labor shortage is foreseen. This is also true of Buffalo, where hiring in defense plants more than makes up for small layoffs. In Syracuse, factory payrolls at year-end were 35% ahead of a year ago.

Reactivation of the Sampson base as an Air Force training center has created a boom in and around Geneva, N. Y. Officers and civilians seeking housing have created a bad shortage of accommodations.

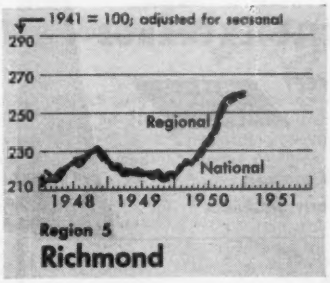
At Auburn, General Electric has started construction of its new plant, and Bowen Products has added 200 workers, doubling its force. Foster Wheeler has called back 100 laid-off workers at its Dansville plant and has added 100 more.

Fort Wayne Corrugated Paper is building a $1¼-million plant at Rochester; Bell & Howell, which just opened a $2-million microfilm plant there with 100 employees, is already talking of expanding it.

American Machine & Foundry is adding 300 men at Buffalo; Twin Coach plans to double employment there if it can find new plant space. Bethlehem Steel has announced expansion at Lackwanna to cost between $50-million and $100-million; 3,000 more men will be hired when it's finished. Lake Erie Engineering is spending $1-million on expansion at Kenmore, will add 150 men.

Lederle Division of American Cyanamid is building a $1.3-million plant at Pearl River, N. Y. The Watervliet Arsenal is gradually boosting its work force, hiring (and training) mostly women. It has taken on 100 in the past two months.

At Cranford, N. J., H. A. Wilson plans a $2-million electical-parts factory. Work is progressing on Studebaker's assembly plant at North Brunswick.



Major producers in all lines have substantial order backlogs—a practical guarantee of rising production as far into 1951 as materials and manpower will permit.

Cotton consumption at mills is running at a rate 20% higher than last year; furniture output is up better than 40%; hosiery shipments up 9%; soft coal output up 16%. Shipyard activity is rising steadily; the tempo of defense

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"...that's the only way I know to describe the way Mongol Pencils write"
. . . says Joseph J. Burke, Store Clerk, Cambridge, Mass.

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. . . claims Bookkeeper Ethel A. O'Neil, of Port Angeles, Washington.

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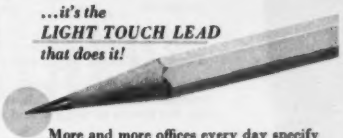

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So he sells egg futures—contracts for future delivery—as insurance against price drops. He has protected his inventory . . . insured his profits.

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Thus, both buyers and sellers can protect their businesses against the "ups" and "downs" of the market caused by the forces of supply and demand.

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work in the heavy-industry areas (particularly Baltimore) is increasing.

Although employment dropped slightly at the end of the Christmas retail season, the trend of employment is still up, and unemployment is steadily being reduced. Jobs in the region's big consumer-goods industries are suitable for women, who are coming into the labor force in growing numbers.

Most fabric mills are booked through the second quarter of the year and well into the third. Some fabrics, such as duck, are acutely scarce because of military buying.

At the moment, the textile industry is in a quandary because of the price freeze. Basic trouble is that raw cotton prices are free, but cotton merchants and mills are both under ceilings.

West Virginia income is way ahead of a year ago, when the state was the region's weak spot. The industries along the Ohio River, particularly the chemicals, are booming.

Union Carbide is spending $10-million on expansion at Charleston; Koppers will build 63 new coke ovens, costing $8¾-million at Mingo; Owens-Illinois is building a $1¼-million glass furnace at Huntington.

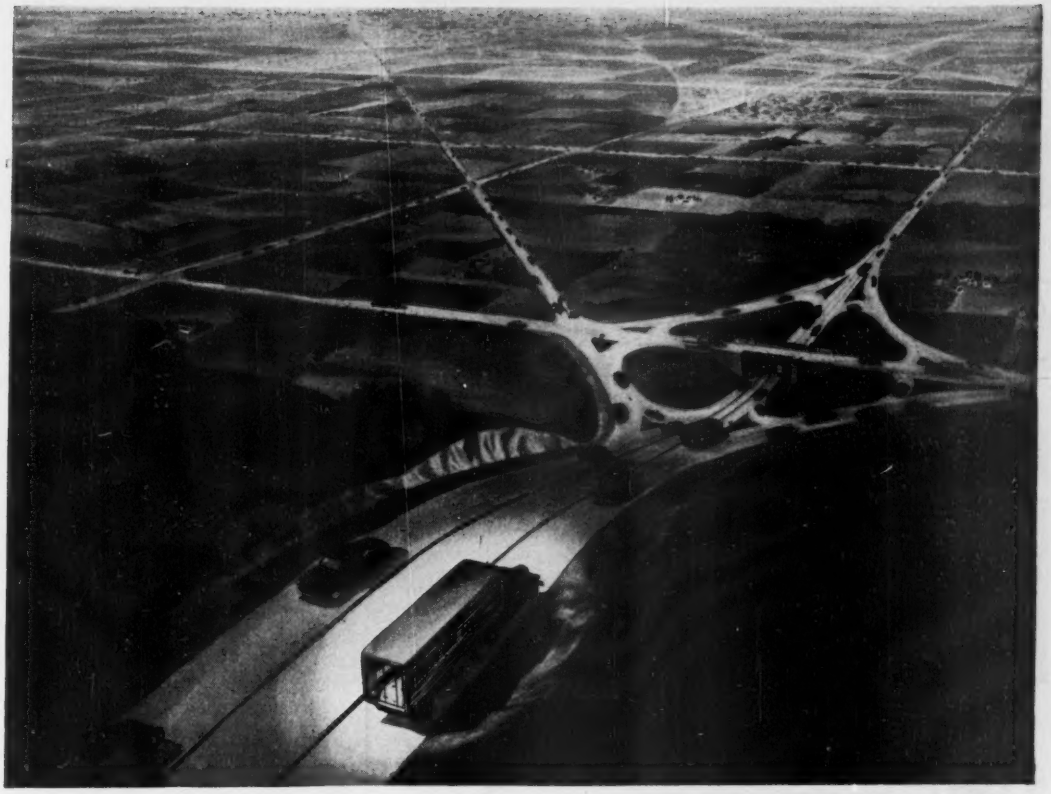
American Cyanamid has optioned land for a major plant near Carbo, Va. Philip Morris is building a new $1½-million factory at Richmond; Ford is erecting a parts depot there.

In the Baltimore area, Glenn Martin has added 3,200 to its payroll in the past three months, will add that many more by July 1. Western Maryland Ry. will spend $12-million to modernize and expand its port facilities. Bethlehem Steel has announced a $50-million expansion at Sparrows Point.

Elsewhere in Maryland, Philco is building a 1,200-man plant at Frederick, Black & Decker a 400-man plant at Hampstead. And a new $1-million chicken-processing plant at Salisbury, partly backed by Armour, will hire 200.

The government is spending $6-million to renovate the Wilmington (N. C.) shipyard; it will build cargo ships for the Maritime Commission. At Hendersonville, Cranston Print works is building a $2-million plant, and Belding Heminway a $1½-million plant. Reichhold Chemicals is building a $1-million synthetic-resins plant near Charlotte. J. P. Stevens is building a $5-million mill at Wallace; Halifax Paper a $5.8-million plant at Roanoke Rapids. And Wyandotte Worsted plans a $5-million mill at Lakeview.

At Anderson, S. C., Owens-Corning is building a $3-million, 200-man Fiberglas plant, and Textron is spending $1-million on expansion. Du Pont, which finished its Orlon plant at Camden only a few months ago, is spending $25-million to expand it. Westover Mills is building a $2½-million mill at Honea



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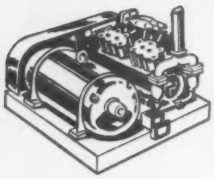

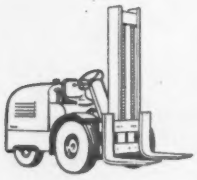

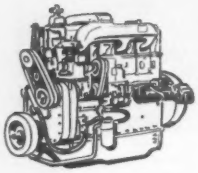

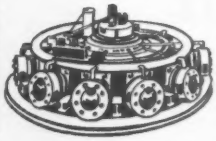

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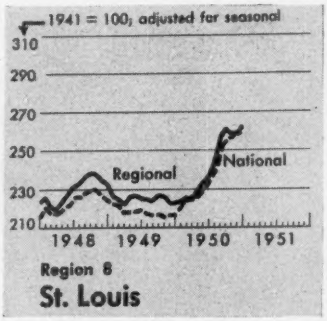


The economic picture in the region is good—nothing spectacular, nothing very bad. Defense orders are coming along in fair volume, and have resulted in considerable expansion. Most civilian business is moving well.

Department store sales typify the whole picture. In the buying rush of the first four weeks of January, sales nationally were 32% ahead of a year ago. In the St. Louis district, sales were also 32% ahead of a year ago; four districts did better, five did worse, two others also hit 32%.

Manpower shortages, so prevalent elsewhere in the country, aren't a problem here. In East St. Louis, Ill., skilled workers are very short. But elsewhere things aren't too tight. When du Pont started work on its $7½-million sodium cyanide plant at Memphis, it expected trouble finding the needed 700 workers; 1,200 applied. F. H. McGraw will need 12,000 workers on the $700-million Paducah atomic energy plant (it has 1,000 now, is hiring 1,000 a month).

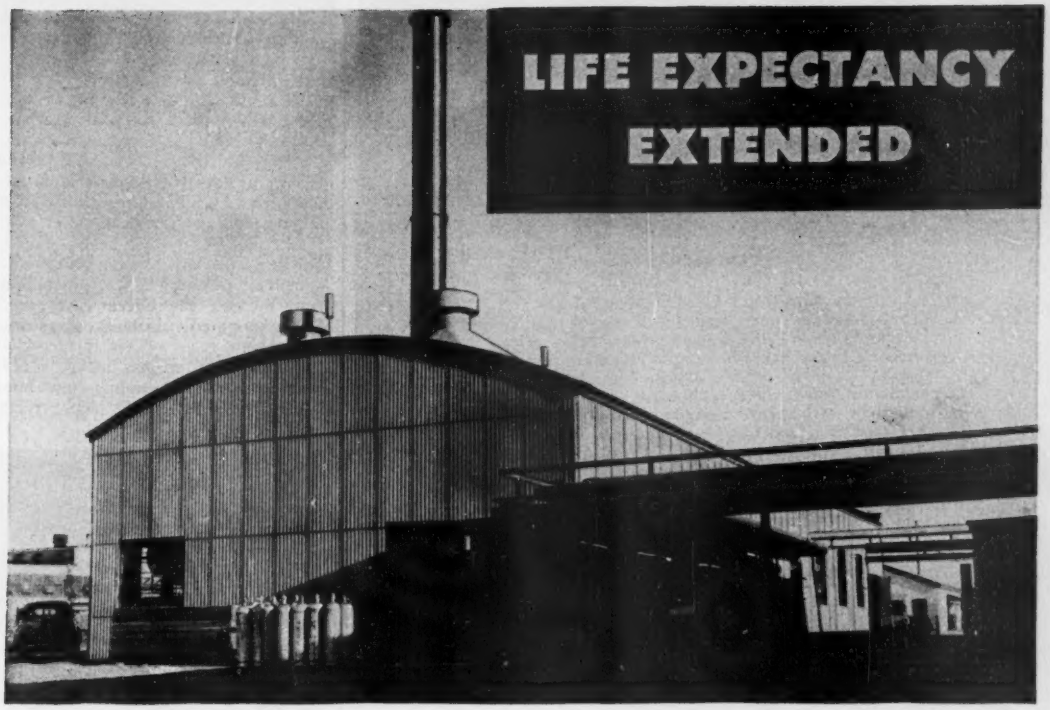
The Paducah project is good news for the coal areas of western Kentucky and southern Illinois; an estimated 4-million added tons a year will be required. That's about 300 cars a day. This plus the $1.60-a-day wage boost for miners means a big boost in income for coal towns in this area.

Farm activity in the region is at a minimum at this time of year. Too little moisture and severe cold with no snow cover at all have caused considerable damage to the winter wheat crop.

Farm income for 1950, thanks to sharply higher prices in the last months of the year, was only slightly below 1949. Mississippi and Arkansas had the poorest showing, due to the small cotton crop; Missouri did the best.

Aside from the Paducah project, biggest new plant announced for the region is Alcoa's $55-million alumina plant near Bauxite, Ark. These projects will also mean a big increase in activity at the Arkansas bauxite mines.

Elsewhere in Arkansas, Crompton



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That bright suggestion of switching to Simonds Abrasive Company grinding wheels sure paid off for Bill and the company too! Output's up, costs are down, and the production line is clicking like clockwork. Maybe there's an operation in your plant that can be done more efficiently and economically by using Simonds wheels, slightly different, but more adaptable to your jobs. It costs nothing to have a Simonds engineer survey *your* operations. Write.

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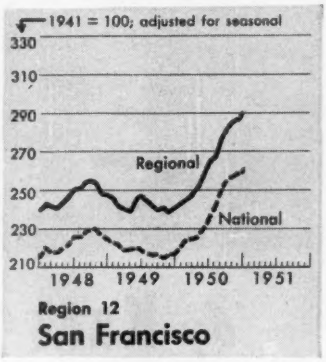
Co. is building a $2-million corduroy mill at Osceola, and Tabin-Picker is opening a 350-man dress factory at Walnut Ridge.

In St. Louis, Lever Bros. is building a $5-million plant to make synthetic detergents; Scullin Steel is reopening the government steel foundry that it ran during the last war with 2,800 employees. Lily-Tulip Cup plans a $4-million plant at Springfield, Mo.

At Paducah, besides the AEC project, two huge powerplants are being built, at a total cost of nearly $200-million. And the site for Green River Steel Co.'s proposed plant is at nearby Owensboro.

Barton Furniture has opened a 125-man plant at Memphis, and Ford plans a $1-million parts depot there.



Region 12

San Francisco

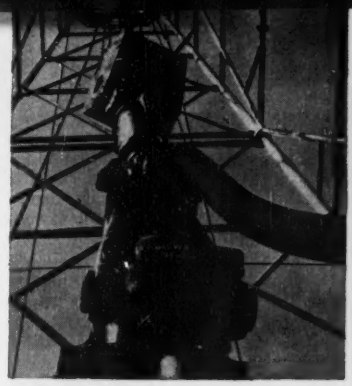
This is normally the low time of the year for the West Coast. Nonfarm employment has been declining since Christmas. But the decline has been less than normal, and the employment level is well above a year ago.

While most business has been following the usual seasonal patterns, war industries have been hiring gradually but steadily. And this trend will continue.

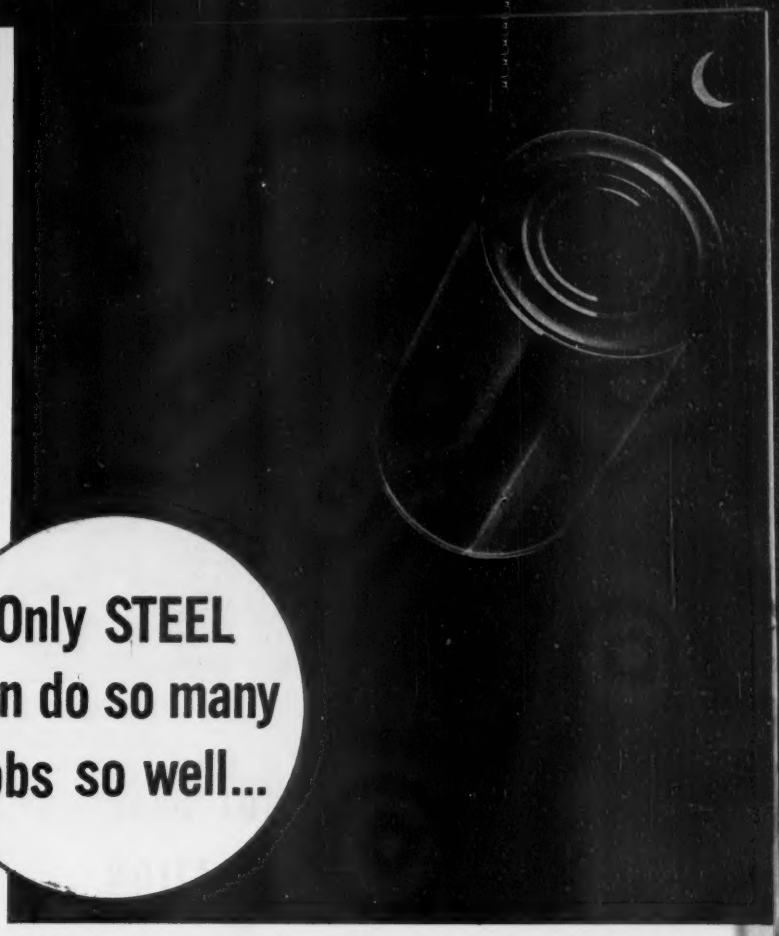
Aircraft is the prime example. Industry employment in California rose 31% between July and December—from 86,000 to 113,000. By the end of next month, another 10,000 will have been added. About 25,000 are now working for Boeing at Seattle, only 1,000 short of the wartime peak.

But the plane makers are not having—and won't have—anything like the frantic expansion of the early 40's. Reason is the government's early decentralization of final-assembly plants. Thus much of Lockheed's new business will go to Marietta, North American's to Columbus, Douglas' to Tulsa, Boeing's to Wichita.

As a result of the continued defense hiring, shortages of skilled and semi-skilled workers are becoming more severe. In the Imperial Valley, a shortage of 45,000 and 50,000 farm workers



MAN FROM MARS? No, it's an "Oilwell" Swivel and Rotary Hose . . . a common sight in the oil fields where they drill for the precious "black gold." Steel for oil-well drilling equipment like this is essential to building America's security. And United States Steel produces a great deal of it every year.



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FACTS YOU SHOULD KNOW ABOUT STEEL

Every day, American steel mills produce enough steel to make all of the following:

1000 freight cars	2 cargo ships
2000 trucks	2 tankers
12,000 autos	500 tanks
2000 houses	500 airplanes
20,000 refrigerators	1000 anti-aircraft guns
20,000 stoves	1000 howitzers
1 aircraft carrier	2000 aerial bombs
2 heavy cruisers	500,000 3" shells

and have 23,000 tons of steel left over!

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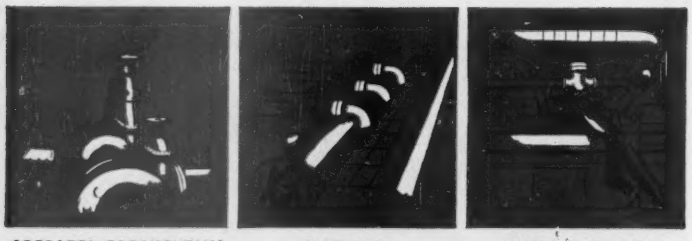
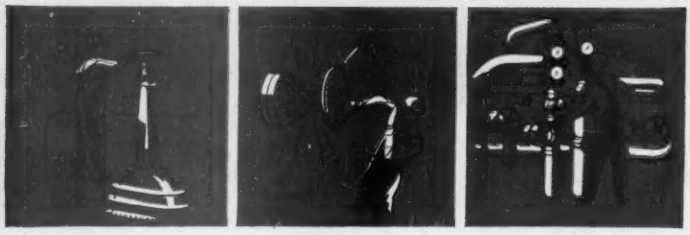
VALVES...



OPERATED FREQUENTLY? DISTANT? HARD TO GET AT?



BIG? HOT? IN COMPLEX SEQUENCE?

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Hand operation is false economy on any valve that should be opened and closed by a Cutler-Hammer Motorized Valve Operator.

It is either a costly misuse of manpower, a sacrifice of process improvements, or both. A Cutler-Hammer unit can close in 60 seconds a large valve that would require an hour or more for human hands to accomplish unaided. And minutes may be of utmost importance in an emergency. At the touch of a button, a Cutler-Hammer unit can close a valve miles away . . . or in any hard-to-reach or hazardous location. By automatic interlocked control Cutler-Hammer units also can make valves perform properly, safely and reliably in correct sequence for any process requirements.

Cutler-Hammer Motorized Valve Operators are offered in a complete line; an operator for every size and type of valve from ¾ inch up. Their mechanisms have been designed through years of experience to prevent damage to valve seats or jamming of valves at high pressures and temperatures. A Cutler-Hammer engineer will be glad to counsel with you on your valve operation problems. CUTLER-HAMMER, Inc., 1275 St. Paul Avenue, Milwaukee 1, Wisconsin.

CUTLER-HAMMER
VALVE CONTROL
C-H

is seen by June, and plans are under way to import Mexican labor.

In the Northwest, major sawmills and pulp mills operated through the winter, but small firms closed down, as usual. Lumber prices recovered sharply since last fall's dip. This means prices at the Jan. 25 freeze were high enough to bring in marginal producers.

Mining activity is expanding throughout the region, wherever labor can be found. Noteworthy are increases in antimony output at Stibnite, Idaho, and in tungsten, particularly at Winnemucca, Nev., and Yellow Pine, Idaho.

This is the slack season for most farming. California cotton is about all in; high prices and record yield (770 lb. of lint per acre) more than made up for the 40% drop in acreage. Range condition in northern and central California is rated better than usual by the Santa Fe Ry. But Utah ranges are below normal because of insufficient moisture. And in Arizona, range condition is so poor that ranchers are giving livestock supplemental feeding.

The entire Central Valley of California is listed as a disaster loan area by the Agriculture Dept. because of the November-December floods, which ruined crops. But the extra moisture will make for excellent crops this year.

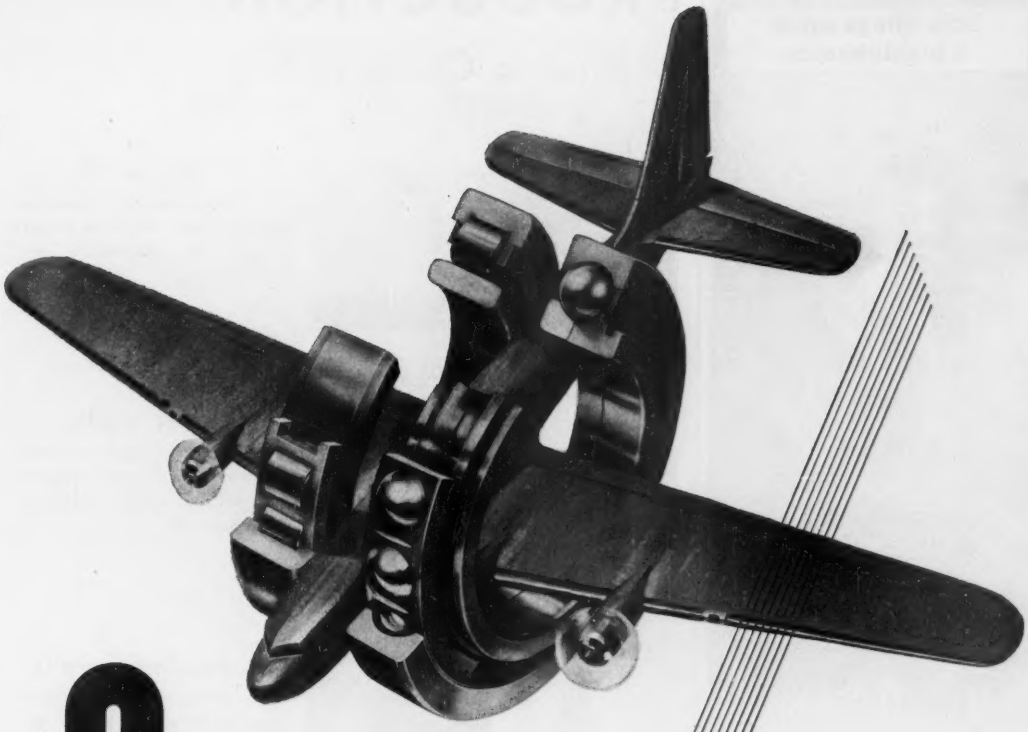
The Los Angeles Chamber of Commerce is having an unusual sort of headache—so many new industries are looking for factory space that it figures it's at least 1-million sq. ft. short. Among recent expansions in the Los Angeles area: Republic Heater plans a new $1-million plant in the city, and Standard Oil plans a $10-million benzene plant at El Segundo; Chrysler is building a $5.3-million addition at Maywood, and Baker Oil Tools is putting up a $1.3-million plant there.

At Fontana, a major industrial community is planned around the Kaiser steel works. At Pittsburg, work has started on Columbia Steel's $28-million sheet and tin mill, which will employ 8,000 when it starts operations around the end of the year.

Food Machinery is spending $42-million on expansion and tooling at San Jose for a big Army tank order; 5,000 will be hired. Pacific States Steel plans a $2½-million expansion at Niles.

In Washington, Electro Chemical Co. is building a $2-million, 150-man hydrogen peroxide plant at Vancouver. United Concrete Pipe plans a $1-million plant at Moses Lake. At Tacoma, Hooker Electrochemical plans a $2-million plant and Pacific Oerlikon a $1-million plant.

U.S. Lime Products plans a $1½-million reduction plant at Portland, Ore., and Coos Bay Lumber is building a $1-million mill at Coos Bay. In Idaho, the $12-million Potlatch Forest pulp mill has just opened.



9/10

The engine manufacturers who produce approximately nine-tenths of the power for AMERICA'S aircraft use SKF BEARINGS.

This, again, is typical of the acceptance of SKF Bearings by *all* industry—acceptance which has been built on confidence in SKF's ability to help industry put the right bearing in the right place. 7165

8 REASONS WHY SKF IS PREFERRED BY ALL INDUSTRY

- integrity
- craftsmanship
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-manufacturers of SKF *and* HESS-BRIGHT *Bearings.*

GADGETS *and* BUDGETS *go together*

Our design engineers are busy men these days—as more and more price-conscious manufacturers are seeking new ways to cut costs and speed production. No part, however small, can be taken for granted. Large in their thinking loom the fasteners they use—the mighty mites they rely on to hold important things in place.

For many years now, progressive American industry has looked confidently to United-Carr for the solution of its fastening problems. We are constantly developing new fasteners to fill their specific needs . . . adapting tried-and-true numbers to fit new applications.

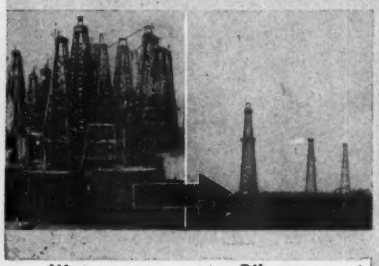
Have you a fastening need suitable for volume production? Our engineers are available to work directly with yours. United-Carr Fastener Corp., Cambridge 42, Mass.

UNITED-CARR FASTENER CORP.

MAKERS OF DOT *FASTENERS*

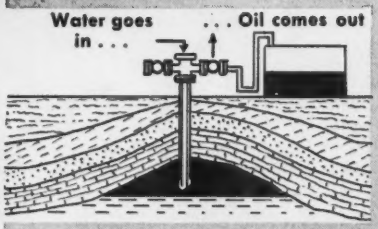
PRODUCTION

How to Conserve Oil:



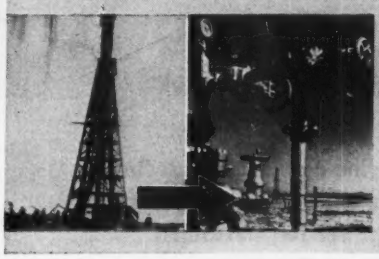
1. Fewer wells

Forests of derricks once bled rich fields dry. Now widely spaced wells give fields a new lease on life.



2. Richer wells

Water or gas pumped back into a well under pressure gets oil that wouldn't normally be recovered.



3. Rationed wells

Million-barrel gushers have given way to limited production. Only enough oil is pumped to meet market demands.

27-Billion Bbl. to Go

That's the estimate of our current recoverable oil reserves. And they are growing, slowly but steadily, thanks to improved technology and common sense in regulating production.

Since its birth in 1859, the American oil industry has died a thousand deaths. Experts have periodically reported that the end of our domestic reserve was coming within the next decade or two. Yet, come the predicted doomsday, we have always squeaked through with a few billion barrels left in the ground.

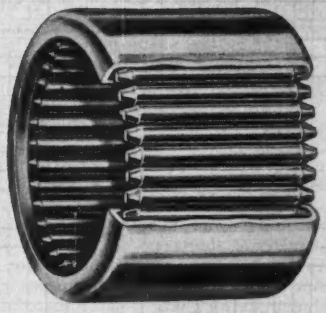
Our current reserve is about 27-billion recoverable barrels, and it's still growing bit by bit. (U. S. annual production runs around 1.8-billion bbl.) For steady improvement in reserves, the industry likes to credit its conservation practices, a combination of common sense and technology.

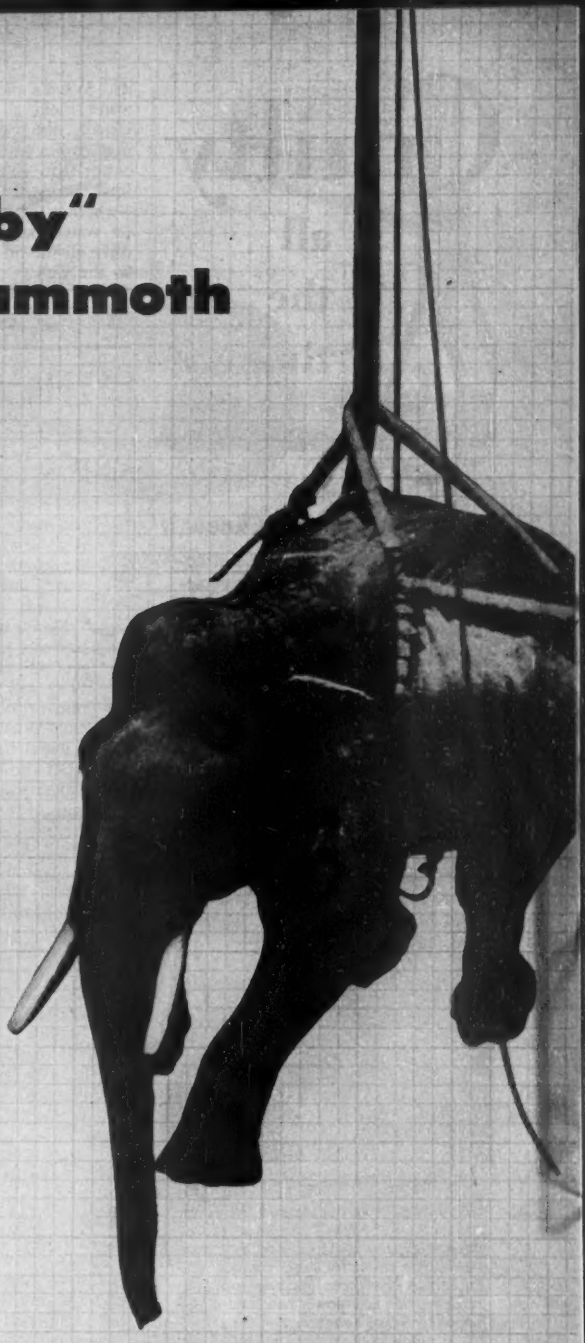
• **Pump Her Dry**—At one time, though, there was very little of either common sense or technology in oil production. Fifty years ago the oil industry was a boom industry. And it used boomlike methods to get oil out of the ground. A mile-high gusher that spouted for days usually signaled the discovery of a new field. Then a forest of derricks would spring up to work the field, frequently pump it dry.

Depleted fields and an oil-glutted market finally forced conservation into practice. Today there are no more gushers and forestlike fields. Instead the producer, whether an individual or a company, leaves a lot of space between wells, pumps prudently and sometimes frugally to hold supply down to the market demand.

• **Nature's Pumps**—An oil field, like most other natural resources, has its lim-

how to "baby" a mammoth





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but the maker never knew it

Once upon a time there was a manufacturer of a certain electronic equipment who insisted upon using highest quality for most of its components.

But for the *resistors* (all resistors are pretty much alike, he thought) he shaved the price a bit and wound up with an inferior brand.

When the resistors *blew*, the customers "blew", too. Only a cheap outfit, they reasoned, could use such cheap resistors.

Funny thing—the maker never got to know the score, his customers just went elsewhere for that equipment, and though he berated his salesmen and blamed his engineers, he never did find out the guilty party.

We Helped Win the Battle of Santiago

On July 3, 1898, the amazing fire power of the U. S. Cruiser "Brooklyn" proved that electricity could out-perform steam as motive power for turret training, ammunition hoists, etc. The system of control for this new power had been developed by Ward Leonard.

53 years later, Ward Leonard is still demonstrating that *quality controls*—resistors, relays, rheostats, starters—*are worth the money.*

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its. What's more, a million-bbl. field won't yield a million barrels of oil. Usually the primary recovery—the oil that comes under its own steam—isn't better than 40% to 50%. The driving force inside an underground reservoir—whether the force is dissolved gas, gas, or water—hasn't enough pressure to drive all the oil through its porous rock to the well.

• **And Art's**—To boost the yield, the producer uses secondary recoveries called dissolved-gas, gas-cap, or water drives. When a well first comes through, it's because nature has already planted one of the three drives in a reservoir. When enough wells have been sunk in a field, geologists can tell which kind of drive is pushing the oil to the surface. Then they simply supplement nature's drive by pumping gas or water back into the wells.

Of the three types the dissolved-gas drive is least efficient. The only driv-

THE PRODUCTION PATTERN

IT'S A RARE production man these days who isn't looking for substitute materials for scarce copper, nickel, benzene, or whatnot. With scarcities bound to increase, the search is just as certain to become more urgent—and more frenzied.

Many manufacturers who talk excitedly about materials shortages get off on the wrong tangent. They talk about a substitute for zinc, or for cadmium, or for glycerin. What they really need is a material having one or more properties possessed by these scarce materials under very specific conditions of form and use.

DR. EDWIN L. GUSTUS, vice-president of Bjorksten Research Laboratories, Inc., recently had some pointed things to say about this to the Chicago Assn. of Commerce & Industry.

"The average problem of material substitutions is quite amenable to scientific attack," he said. "When once it is recognized that our shortage is not one of substances but of specific properties, then the game of finding a substitute is a much more rational one."

There are several ways of licking the shortage problem, he said:

(1) Get rid of it. Du Pont did this by searching for a material that had the structural properties of silk—and coming up with nylon.

(2) Combine the scarce material with other material. For example: Mix synthetic fibers with wool.

(3) Design around the scarce material. The Germans nearly succeeded in making electric motors with aluminum wire windings instead of copper, simply by using square wire instead of the conventional round wire.

Dr. Gustus admitted that these tactics won't always work. Some stainless steels, some magnetic alloys seem to defy substitution—unless you're willing to sacrifice specific properties. But this is not the typical problem of scarcity.

HERE ARE A FEW sample suggestions on substitutes he cited:

For the water retentive properties of glycerin—sorbitol, glycols, sodium lactate, "a whole host of substitutes . . . which can be used in combination, depending on temperature characteristics desired."

For wire insulation—polyethylene, polyvinyl chloride, or even wax-impregnated cotton thread.

"Where adhesives show signs of scarcity, there are all sorts of varieties of glues, resins, vinyl ethers, mucilages, gum arabic, urea formaldehyde adhesives, resorcinol-aldehyde adhesives, starch adhesives, and silicates."

For metals—laminated textiles. Plastic-impregnated glass fiber has been formed into a laminate that, weight for weight, resists the penetration of bullets better than the best armor steel.

NO ONE IS GOING to find the right materials overnight. Any manufacturer who says to his laboratory chief, "We're out of zinc today; what have you got for us to use tomorrow?" is endangering his own existence, Dr. Gustus warned.

For the manufacturer who's thinking of putting some money into such research, Dr. Gustus offered one large crumb of comfort:

"By a curious coincidence, the very circumstances that make material substitutions necessary also seem inevitably to bring excess profits taxes. As a result, the cost of intelligently studying the problem of material substitutes by laboratory research can usually be shifted in large measure to the shoulders of the federal Treasury.

ing force inside the reservoir is the gas that's dissolved in the oil, so the pressure of the reservoir drops as the oil is produced. Natural recovery runs from 10% to 30%. But as gas is pumped down, it sometimes collects to form a cap at the top of the reservoir. This can boost the recovery to 45%.

A natural-gas drive gives an even greater recovery. Here the gas is not dissolved in the oil, but collects at the top of the reservoir. The gas expands as the pressure falls through increased production. The expansion in turn helps gravity to move the oil toward the well. If at the same time gas is injected into the reservoir, the gas cap can be kept up with only a moderate drop in pressure. Oil recovery this way is sometimes as high as 65%.

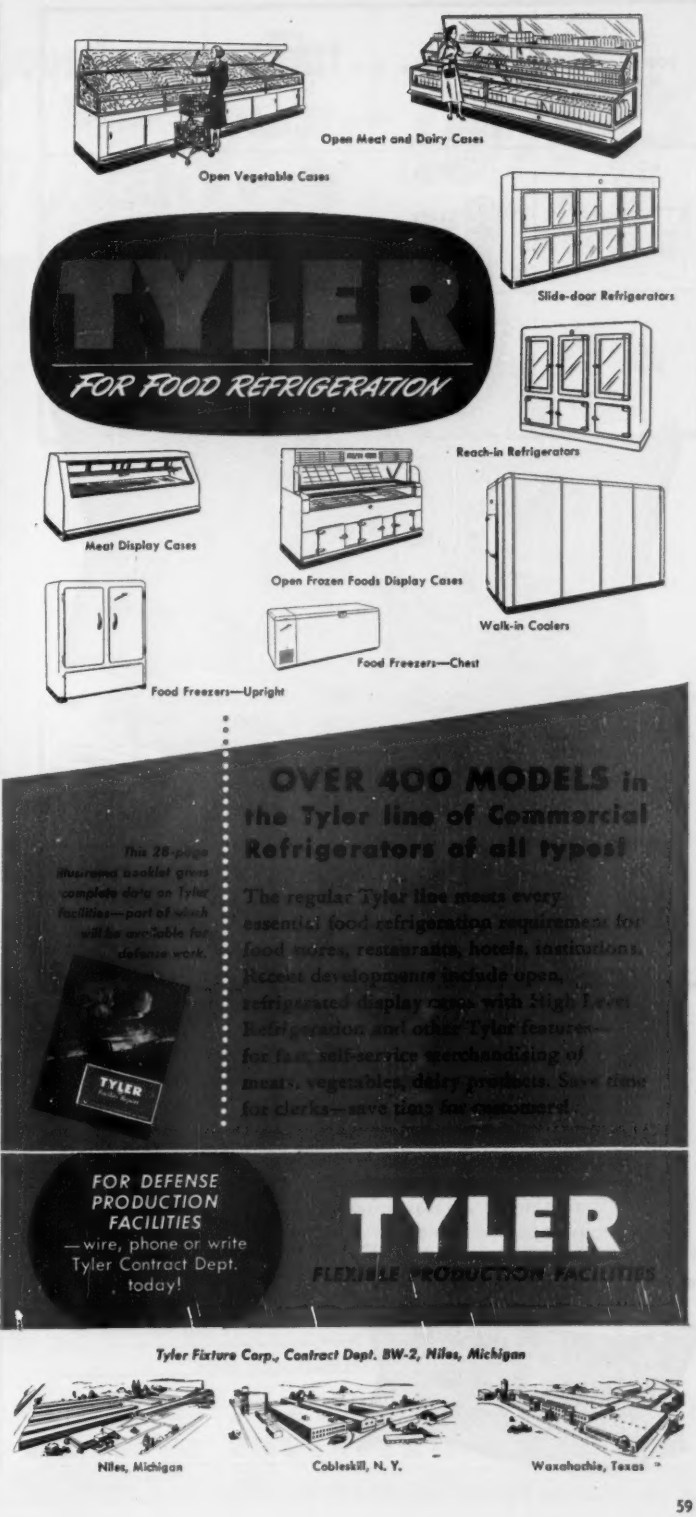
The producers' favorite is a water-driven field. Large pools of water that are compressed under the oil are hunting for an outlet; the man-made holes that are oil wells provide it. When oil is pumped out, the water flows in and tries to fill the gap. That way the water maintains a pressure that would be lost by the escape of oil and gas together. Once too much oil and water get away, injections of water from the surface bring the pressure up to nearly normal again.

• **Accident**—Actually, the first applications of secondary recovery came about more by good luck than good management. In 1865 a Pennsylvania operator discovered that several of his exhausted wells had started to produce again. What started the action up was water that had flooded the oil sands in his field. From water, oil men turned to gas to give new life to their wells. Originally, the attempts at secondary recovery were rather hit and miss. But now the techniques have developed into a science.

Secondary recovery probably wouldn't have to be applied to many older fields if they had been worked efficiently to begin with. Secondary recovery is, more or less, a salvaging operation. Careful production in new fields may make it almost, if not entirely, unnecessary in the future.

• **Rationed Output**—Careful production means fewer barrels per well. In the long run, it lengthens the life of a field. But producers had to run up against a bankrupt market before they finally learned to match their production with the demands. The marketing system that the industry ultimately worked out is called prorationing.

Again its introduction, like secondary recovery, was accidental. There used to be a superstition that choking a well—limiting its output—was pretty close to murder. In Wyoming a few operators bucked the old wives' tale when they found themselves with more oil on their hands than they could trans-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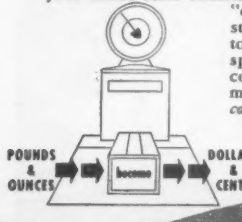

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port. They prorated their wells, allotted a certain output to each. And they found that oil not only kept flowing, but flowed beyond the life expectancy of the wells.

• **Parent Necessity**—In the 20's and 30's, Oklahoma and Texas began to drown in a sea of excess oil. In 1931 the East Texas field alone produced 1-million bbl. a day, or one-third of the nation's total requirements. The market price dropped to 10¢ per bbl. and less.

Depression struck almost before the industry knew what had hit it.

• **State Job**—The courts got into the fight; so did the police.

Out of the mess grew the regulatory system of the Railroad Commission of Texas, a state government body that has set the pattern for oil conservation in other states, too.

The commission's program was first voluntary, then official, and finally compulsory. Here's how it works: From month to month the commission estimates the demand of the market, then tells each district how much it's to produce. Or if the reservoir pressure in a field drops below an efficient minimum, the commission will cut back production to keep the field going.

Today, a well in the East Texas field, for example, might be able to produce 20,000 bbl. in 24 hr. if you just left it to its own devices. Instead, its daily average is held to less than 20 bbl. Originally, the field had an estimated reserve of between 1-billion and 2-billion bbl. But it has already produced more than 2-billion bbl., and scientific surveys now indicate that with careful production and conservation it should be good for another 5.5-billion.

• **Unitization**—The ultimate in oil conservation is to drill and operate a field as a single unit. Unit operation (or unitization) calls for close cooperation among producers in a field, and a voluntary regulation in production and in the spacing of wells. But the system has run into two roadblocks: human nature and the law. A producer thinks twice about turning his business over to a group of competitors. And pooling and controlling production sometimes risks antitrust suits.

The great Bradford field in Pennsylvania shows what unit-type operation can accomplish. The wells there are spaced in efficient patterns for pumping. The patterns, plus water-driven recovery, have extended the life of the yield to 50 years at the current rate of production.

• **How Much Left?**—Figures on the savings in oil through conservation are hard to pin down. An educated guess would total our secondary reserves—the oil that can be taken out by gas- or water-drive methods—at over 7-billion bbl. A few experts think the total is twice that much.

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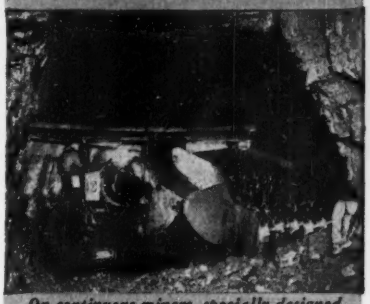

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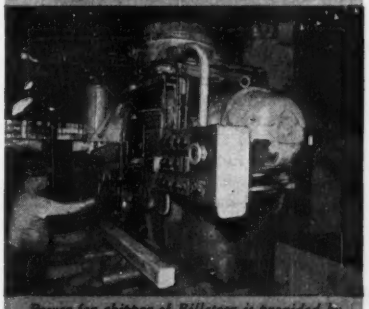

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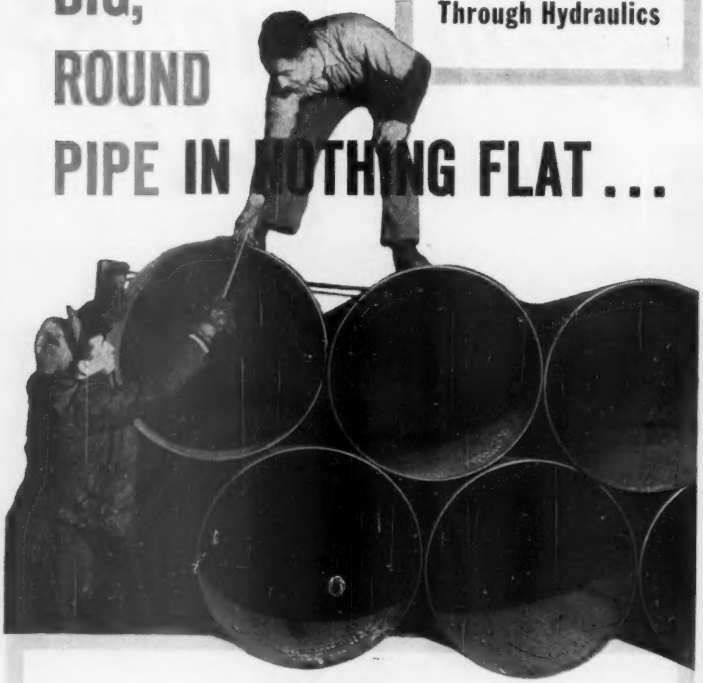
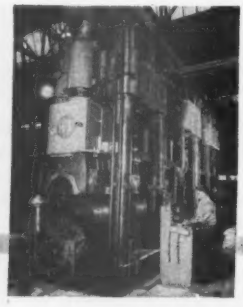


In National Tube's McKeesport, Pa., plant and Consolidated Western Steel's Orange, Texas, operation (subsidiaries of United States Steel) there's a manufacturing process that takes a sheet of ½" thick steel 40 feet long, and forms 36" diameter pipe in the matter of minutes—and it's all done by pushbutton. It really takes a giant to do the job—and the 18,000-ton H-P-M Presses designed for these jobs are really that. However, it's only an indication of many special applications solved by H-P-M engineering and manufacturing "know-how" gained thru years of service to the metal working, plastics, and die casting fields. If you would like to know more about this "pipe-forming" press or other H-P-M profit-making presses—drop us a line on your company letterhead.



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Cans Without Tin

American Can gives competitors the lowdown on a solder containing less tin. It's one step in a tinless tin can project.

The National Production Authority's restriction on tin cans (BW—Feb.3'51, p34) brought a howl from the industry. It had to tackle the problem of cutting 20% from an almost irreducible minimum of tin.

Can makers and tin-plate producers have reduced their tin consumption sharply over the past few years. They've done this by substituting electrolytic plating for dipping and by developing solders containing about 8% tin (instead of the standard 40%). In 1941 the industry produced 25-billion cans, used 41,000 tons of tin.

• **CanCo Opens Up**—Last week in Chicago, American Can Co. showed competitors how it had made even more savings in tin (BW—Feb.10'51, p28). It was a method for sealing the side seam of blackplate cans (steel containers on which enamel or lacquer is substituted for tin plate) with solder containing only 3% tin (the other 97% is lead).

Beauty of the process is that you can use it on standard can-making machines. About all that is required is use of a stronger flux, application of greater heat to the edges to be soldered, and a solder bath of about 700F (100F higher than usual).

CanCo has been using the process on tin-plate cans for several years. Company technicians say it gives a stronger seal on certain types of tin plate than does the solder with a higher tin content. CanCo is turning out quantities of blackplate cans by this method. They can be used for packing some commercial products.

Manufacturers were interested. NPA has banned the use of tin plate for cans used for coffee, shortening, lubricants, paints, and similar products. Blackplate cans might be the answer.

• **Long-Range Program**—CanCo sees this low-tin solder as only one step in a long-range program. They expect their researchers to come up eventually with a can using no critical materials whatever.

Next step is tinless solder. Right now, the company is turning out 1-million oil and antifreeze cans, made of blackplate and sealed with a tinless solder. This run will be finished by Mar. 1, and the cans distributed to customers for commercial trial. Until the tests are completed, CanCo won't say what the new solder contains.

Still in the experimental stage are

tin-free cans in which special plastic cements are used to seal the side seam. Two such cements are undergoing factory trials.

One of these cements, researchers say, may be good enough to replace solder on cans that have to be heat sterilized after packing.

Hand-in-glove with this work on sealers is research on enamel, plastic, and resin coatings suitable for packing products that now require tin plate. All this research is being conducted by CanCo, in conjunction with 20 companies that are potential suppliers of alternate can-making materials.

As matters now stand, CanCo doesn't expect much—if any—cost-cutting from these new methods. What it's looking for is a way to make cans from readily available materials.

Warmer Boot

Marine Corps orders 40,000 of new type combat boot—two layers of rubber with wool insulation between.

A drink from a thermos jug two years ago gave Salvatore Gianola an idea that may revolutionize all concepts of combat shoes for servicemen.

Gianola, an employee at the Naval Clothing Depot in Brooklyn, was looking for a boot that would keep the feet of the deck watch warm in arctic areas. Working on a principle resembling the thermos bottle, he designed a shoe made of two layers of rubber with wool insulation packed between.

• **Contract**—Last week the Marine Corps awarded a contract for 40,000 pairs of cold-weather boots built from Gianola's design to the hood division of B. F. Goodrich Co. in Watertown, Mass. This was the first of probably hundreds of thousands of pairs to be ordered, not only for the Marines but also for the Army and Navy.

The footwear industry is vitally interested in the development of the new type boot. Manufacturers of rubber footwear are sure to benefit. But leather footwear makers are alarmed at the possibility that the military might change its plans for ordering several million pairs of leather combat boots and switch to the new rubber design.

• **Quick Sale**—The Marine Corps liked the boot so much that it placed the first order 16 hours after it saw the final sample. The boot is designed to be worn with just one pair of socks of medium thickness, rather than several pairs of heavy wool socks that often cut off circulation.

Another advantage: If cold water seeps down from the top of the shoe,

AT THE MOMENT

when your product reaches the consumer

• The *contents* of your bottle or package are the result of long experience and a major investment in time, research, labor and equipment. You know they're good!

Yet your customer – the ultimate consumer – can *see* few, if any, of the qualities offered. His or her appraisal is based primarily on your firm's reputation and your product's *external* appearance – its label, package or shipping case. How do they look? What have you done to safeguard their appearance? A messy label, a faulty carton or a broken shipping case can give the wrong impression – even prevent a repeat sale.

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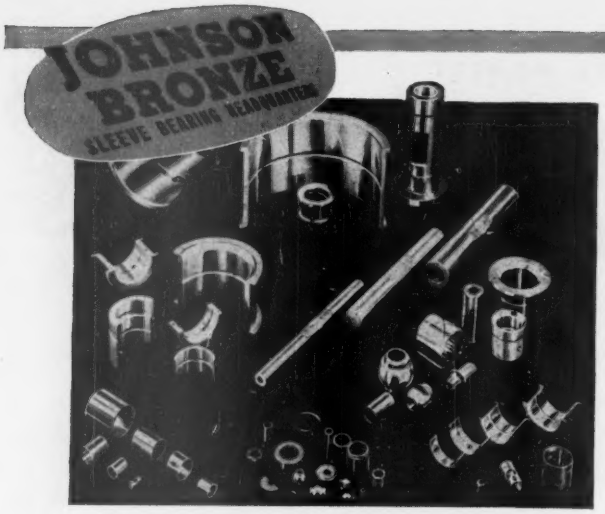

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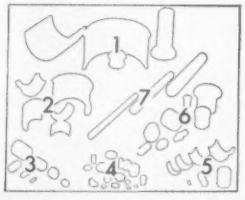

Johnson Bronze

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inside of an hour the boot will heat the water to normal skin temperature.

The boot has a reinforced toe to permit the combat man to push himself along on the ground as he crawls. The outer sole is knurled for effective traction on the ground.

• **More Orders**—The Marine Corps announced that eventually this new boot will replace all the shoepacs now in use by the corps. The Army plans to obtain a supply of the boots and give them extended tests.

PRODUCTION BRIEFS

Isotopes produced by Brookhaven National Laboratory's nuclear reactor will be distributed to private researchers, with Atomic Energy Commission permission. Brookhaven will specialize in highly radioactive elements that are too short-lived for distant shipment.

•

Stoves and refrigerators can't make the switch from natural gas to propane, South Jersey Gas Co. has discovered. The company tried it last week when its pipeline broke down. Result: faulty operation. To cure it would have meant readjustment of each appliance—about 40,000 of them.

•

Three-in-one buses will be built for the Army by Twin Coach Co. The company has copped a $21.5-million contract for 1,650 buses, which can be used as troop carriers, trucks, or ambulances.

•

Torpedo recovery by the Navy is helped by a molded rubber attachment developed by Sun Rubber Co. When a torpedo has finished a test run, the attachment inflates like a collapsible drinking cup, keeps the torpedo head above water.

•

Poultry hatcheries at high altitudes can increase their yields 15% by introducing small amounts of high-purity oxygen. It's a development of Union Carbide & Carbon Corp.

•

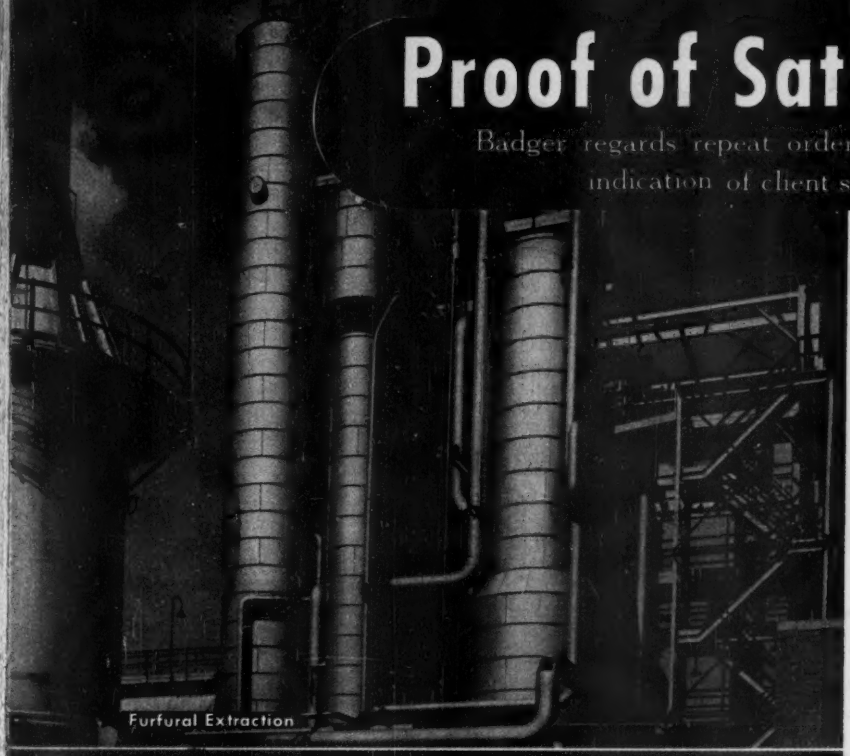
Portable microwave stations, similar to those that relay video and telephone signals, will be built for the Signal Corps by General Electric on a $1.3-million contract. Philco Corp. has a contract for "several hundred" microwave units, to be installed by the Air Force Air & Airways Communications system.

•

The chemistry of acrylonitrile—the versatile compound used in plastics, synthetic fibers, and Buna-N rubber—is covered in a book by American Cyanamid Co., 30 Rockefeller Plaza, New York 20. Requests for copies should be made on your letterhead.

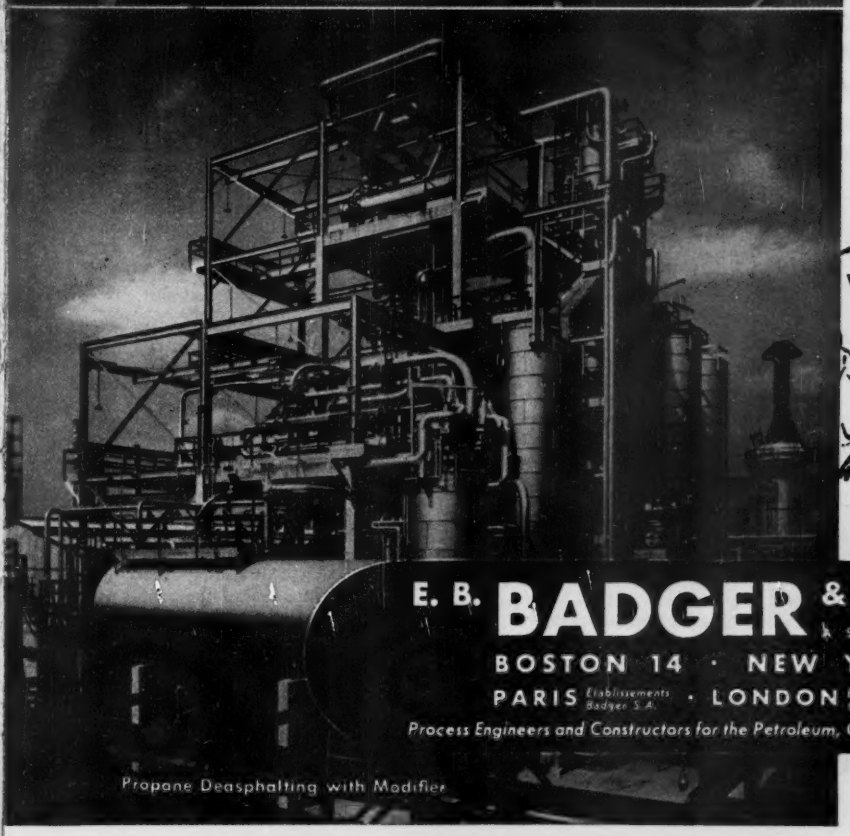
Proof of Satisfaction

Badger regards repeat orders as fundamental indication of client satisfaction.



Furfural Extraction

This crude distillation and lube oil finishing program plus gasoline and water treating facilities, in Paulsboro, N. J., recently completed by Badger for Socony-Vacuum Oil Company, Inc., represents a continuation of our services to the same client over a period of 23 years.



Propane Deasphalting with Modifier

E. B. BADGER & SONS CO · Est. 1841

A SUBSIDIARY OF STONE & WEBSTER, INC.

BOSTON 14 · NEW YORK

PARIS *Etablissements Badger S.A.* · LONDON *E. B. Badger & Sons (Great Britain) Ltd.*

Process Engineers and Constructors for the Petroleum, Chemical and Petro-Chemical Industries

Covered with B of M branches, that is. Because the Bank of Montreal—Canada's first bank—has 550 branches from coast to coast. It's almost impossible to travel through any Canadian city or town, without spotting the B of M. And if your thoughts of profit fly to Canada, this blanket of B of M branches means one thing: a bank that *knows* Canada inside out!

There are three U.S. offices, too—New York, Chicago and San Francisco. Matter of fact, the B of M was the *first* Canadian bank to establish a U.S. office—in 1859—and has been helping U.S. businessmen to profit in Canada ever since.

So, to make the most of Canadian Opportunity, consult the B of M. Contact any U.S. office or the Business Development Department, Bank of Montreal, Place d'Armes, Montreal.

"MY BANK" TO A MILLION CANADIANS
B of M

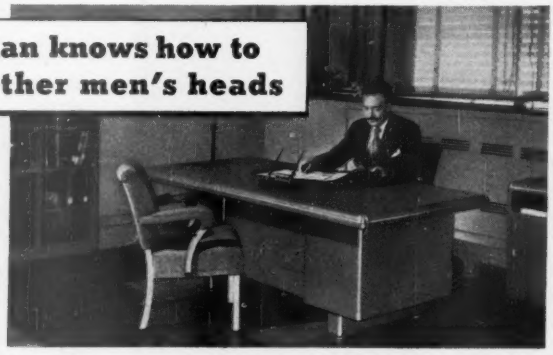
BANK OF MONTREAL
Canada's First Bank Coast-to-Coast

New York---64 Wall Street Chicago---27 S. La Salle Street San Francisco---333 California Street

Head Office: Montreal

550 BRANCHES ACROSS CANADA • RESOURCES EXCEED $2,000,000,000

This man knows how to use other men's heads



Before Jim Harris became president he learned the terrific value of other men's ideas. He learned to use other men's minds in group thinking—for their good and the good of the company.

When we showed him the "Y and E" Conference Top desk he looked it over carefully. Finally he said, "That is for me—and it is for every one of our officers. It is wonderful . . . for two reasons: First, a group can pull right up and go to work without wasting a minute. And second, it is a constant reminder . . . a reminder that the *real* purpose of a big desk is to give all your men room to put their ideas on it."

Your needs may be like Jim Harris'—or quite different. "Y and E" makes office equipment of all types that can help you make your office more effective. For complete information call your local "Y and E" representative.

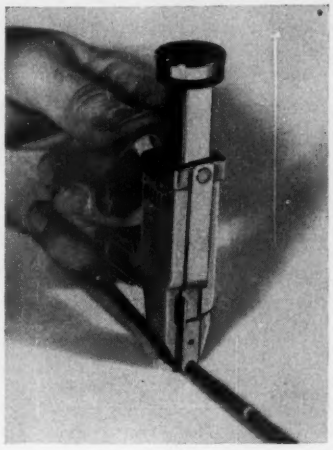
NEUTRA-TONE GRAY

Also Makers of Quality Filing Systems and Supplies

YAWMAN AND ERBE MFG. CO.

1006 JAY STREET • ROCHESTER 3, N. Y., U. S. A.

NEW PRODUCTS



Stapler Fastens Wires

A pocket-size, semiautomatic stapler made by Heller Co. simplifies the installation of wiring.

You place it over the wire and punch the stamping plunger that feeds the staples. The driving points of the staple easily penetrate plaster, composition board, and hard and soft wood. Staples have a holding power of up to 64 lb. The stapler's front and rear guides circle the wire, so that you can draw it quickly around angles and corners. Heller says there's no marring or injuring of wire.

The tacker and staples are designed for use in low-voltage telephone wiring. Heller also recommends its stapler for installing television and radio sets, burglar alarms, and intercommunication systems. Staples are available in a variety of colors.

- *Source: Heller Co., 2153-N Superior Ave., Cleveland 14.*
- *Price: $12.*

Metal Hardness Tester

Snow, Deakin & Co., Ltd., has a hardness tester for flat, curved, and round metal shapes that is portable, gives quick readings. Called Ernst Hardness Tester, it's only 3 in. high and 2¼ in. in diameter.

You place the tester against the metal, press down the handgrips on the sides. The loading spring presses the indentor against the metal. As the metal resists the pressure, the indentor compresses a liquid-filled chamber. This forces liquid into a small tube encircling a numbered scale on top of the tester. Final position of the liquid indicates the hardness.

Snow says you can get accurate read-

AMA'S 20th

NATIONAL PACKAGING EXPOSITION

PACKAGING

PACKING

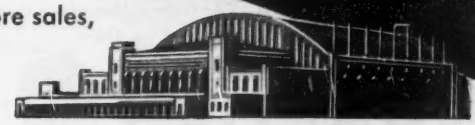
SHIPPING

For *everything* vital in packaging, packing and shipping! 250 exhibitors will present for your inspection and comparison the machines, equipment, and services that mean lower costs, more sales, and greater operating efficiency.

APRIL 17-20

CONVENTION HALL

ATLANTIC CITY



For information about the exposition and concurrent conference, address the American Management Association, 330 West 42nd St., New York City 18

AMERICAN MANAGEMENT ASSOCIATION

What's good for the complexion of tin?

...*a brush!* Here's how to make tin plate keep its "steel mill complexion":

To produce and preserve high-quality finish of tin sheets calls for thorough cleaning prior to plating. Otherwise surface imperfections result during plating and costly work must be scrapped.

To clean the sheet, all traces of foreign matter are removed automatically at 1500 feet per minute with Osborn power brushing. Although operating under hot, high-pressure sprays, the Osborn brushes operate around-the-clock, assuring uninterrupted production and highest quality.

Find out how Osborn's improved brushing techniques can help *you* on product finishing and cleaning problems. A survey by your **O**sborn **B**rushing **A**nalyst will demonstrate what power brushing can do. Simply write for an **OBA.** *The Osborn Manufacturing Company, Dept. 416, 5401 Hamilton Avenue, Cleveland 14, Ohio.*

OSBORN

LOOK FOR THE NAME OSBORN . . . RECOGNIZED EVERYWHERE FOR QUALITY WORKMANSHIP AND MATERIALS

ings on sheet metal as thin as 1/50 in. The tester is available with either a steel or diamond indentor, depending on the type of metal to be tested.

• *Source: Distributed by Newage International, Inc., 521 Fifth Ave., New York City.*

• *Price: $175 with steel indentor; $225 with diamond indentor.*

Turbine Blade Grinder

Hamilton Standard division of United Aircraft Corp. has developed a machine that mass-produces blades for turbojet and turboprop aircraft engines. Sunstrand Machine Tool Co. will make the unit.

After rough-forging, Hamilton's unit rough-grinds the turbine blade, then grinds it to a finer finish. The machine uses a rotating abrasive belt to strop the blades. Belt surface varies in abrasiveness according to the job to be done and the amount of metal stock to be removed. It removes up to ⅜ in. of stock in about 15 min.

• *Source: Sunstrand Machine Tool Co., Rockford, Ill.*

• *Price: About $21,000.*

Deposit Your Dynamite

Dravo Corp. builds a big box, which it calls Transportainer, for storing dynamite and other explosives. It's useful for construction companies that must protect explosives from fire and deterioration on the site. It can hold up to six tons.

Transportainer looks like a box within a box. The outside is welded steel, the inside wood. The wood lining cuts down danger from sparks. The container is weathertight, and the doors are fitted with locks.

Dravo says the box is easy to ship. Equipped with skids, it can be dragged

How to take a loss without a loss

GOOD EXAMPLE: 218 checks totaling $36,000 disappeared while en route from the Security National Bank of Battle Creek to the Federal Reserve Bank in Chicago.

The bank and its depositors were fully safeguarded . . . for the bank had a photographically accurate and complete Recordak microfilm copy of the checks it had forwarded for payment.

Increased protection . . . is just one of the advantages Recordak microfilming is bringing to 65 different types of business . . . thousands of concerns.

The chances are your bank is now using Recordak microfilming. And, if so, it means extra protection for the bank and *you.*

If checks are lost in transit, exact-sized facsimiles can be made promptly from the bank's microfilm records; and these will be honored in lieu of the missing items—sparing depositors considerable inconvenience.

Furthermore, should you lose your cancelled checks your bank can show you the photographs in its Recordak Film Reader . . . or give you facsimiles.

And here are other important advantages which Recordak microfilming is bringing to banks . . . and to 64 other types of business.

- It simplifies accounting operations . . . eliminates duplicate postings, unnecessary descriptions.
- It records documents instantaneously . . . with photographic accuracy and completeness . . . for a fraction of a cent apiece.
- It saves you up to 99% in filing space . . . puts 7000 letters, for example, on a roll of film that's no larger than your palm.

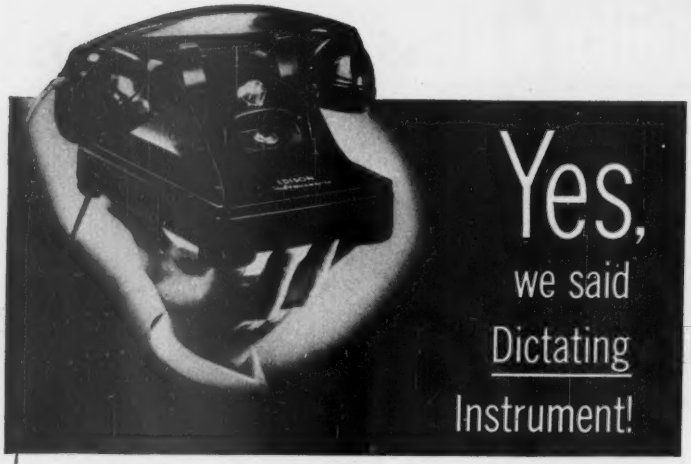
Learn in detail how Recordak microfilming can help you; also get facts on the line of microfilmers *now offered on an attractive purchase or rental basis.* Write for a free copy of *"50 Billion Records Can't Be Wrong."* Recordak Corporation (*Subsidiary of Eastman Kodak Company*), 444 Madison Ave., New York 22, N. Y.

RECORDAK

(Subsidiary of Eastman Kodak Company)

"Recordak" is a trade-mark

originator of modern microfilming—and its application to business systems



The world's Smallest! Handiest!
Simplest! at 1/3 the cost!

One to twenty
TELEVOICE Stations
connect to
the EDISON
TELEVOICEWRITER

An Edison first, perfected after more than six years of proof on the firing line! Winning the most sensational acclaim in the history of instrument dictation! Easy to use as a telephone! Complete, remote control by push-buttons! "Delivers" dictation to EDISON TELEVOICEWRITER at *secretary's* desk. Cuts cost of instrument dictation *as much as 66⅔%!*

Edison TeleVoicewriter
The Televoice System

GET THE WHOLE STORY—NOW! Send for this new descriptive booklet. Or, to arrange for a demonstration, call "EDIPHONE" in your city. In Canada: Thomas A. Edison of Canada, Ltd., Toronto 1, Ontario.

Thomas A Edison INCORPORATED

EDISON, 78 Lakeside Ave., W. Orange, N. J.
Okay—send me a LINE ON TELEVOICE.
NAME_____
COMPANY_____
ADDRESS_____
CITY_____ ZONE____ STATE_____

by a tractor. It also has rings at the top for lifting by a crane.

You can purchase dynamite in larger lots, utilize quantity buying discounts with this storage method, the company says.

• *Source: Dravo Corp., Neville Island, Pittsburgh 25, Pa.*

Fabric Is Like Chamois

A fabric that looks and performs like chamois but costs about one-third as much is made by Loren Products Corp. You can use it to clean walls and floors, polish mirrors and windows, as well as to wash cars.

The tough, nonwoven fabric contains B. F. Goodrich's hycar latex—a synthetic rubber. Loren claims it absorbs water as effectively as chamois and withstands the effects of gas, grease, and strong detergents. Added features: It wears longer than chamois, resists deterioration due to salt water, and tends not to pick up lint.

• *Source: Loren Products Corp., 101 W. 31st St., New York City.*

• *Price: 75¢ for 18-in. x 19-in. piece.*

For Easy Taping

Precemented tape made by B. B. Chemical Co. reinforces plastic upholstery. You laminate it to the underside of the plastic in places where stress and flexing occur, such as seams. Now the company has a two-piece gadget, called tip-top Dispenser, for applying the tape.

The unit consists of an applicator plus a small dispenser with a pad inside that fits onto a can of tape solvent. With this equipment, you can swab the plastic, activate the tape, and smooth out wrinkles and air pockets when tape is applied.

• *Source: B. B. Chemical Co., Cambridge 39, Mass.*

• *Price of dispenser: 59¢.*

Air-Conditioning Aid

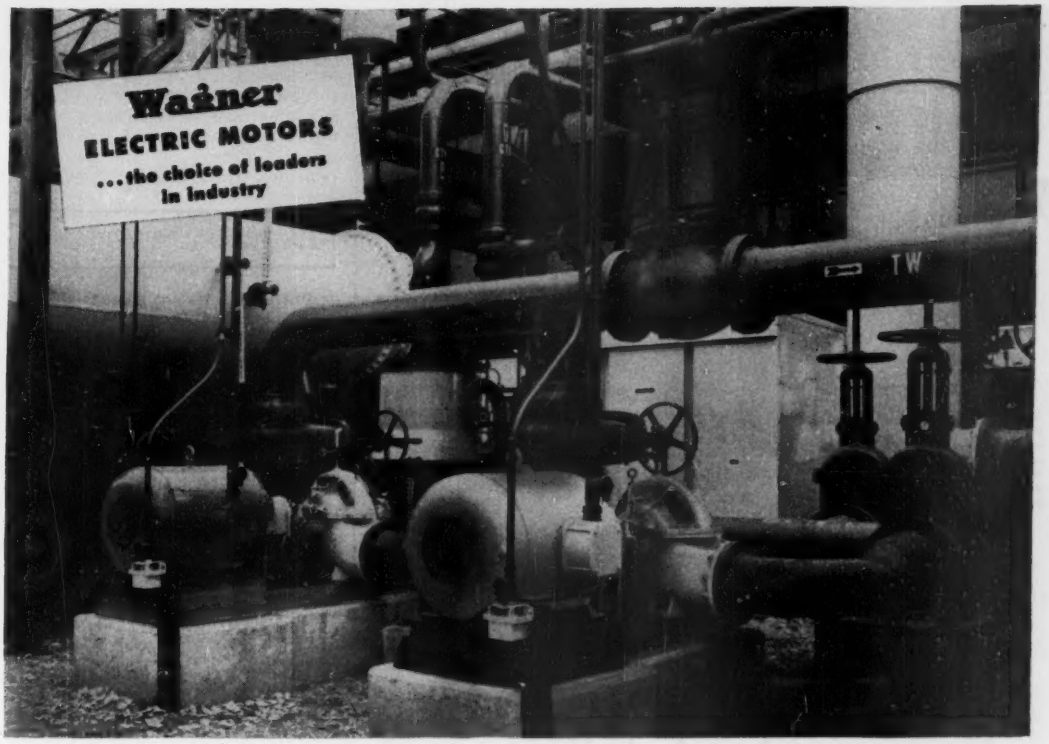
Trane Co. has a water-chilling unit, called Centravac, for air conditioning and industrial process work. Here are its features:

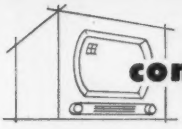
• Since the centrifugal unit is hermetically sealed, it keeps out air that reduces capacity, increases power consumption in refrigeration systems.

• Power consumption goes down as the demand for cooling goes down. Centravac can be operated economically at full capacity and down to as little as 10% capacity.

• The unit works either by push-button or thermostatic control that modulates, stops, and starts it automatically, thus maintaining a constant water temperature.

Trane recommends it for air condi-





complicated—yet clear as crystal

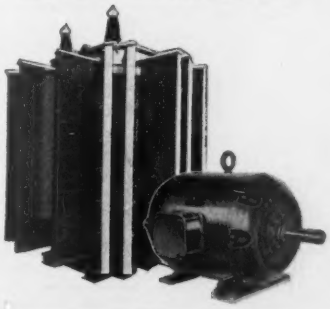
True optical clarity is but one of the many attributes of Plexiglas, the acrylic plastic that is permanently transparent, strong, light in weight, and that can be molded, formed, or machined. But the manufacture of Plexiglas is a highly complex operation.

The Rohm and Haas plant in Texas, for instance, uses natural raw materials found nearby to manufacture chemicals, which in turn are processed into Plexiglas at still other Rohm and Haas plants—all part of a production chain . . . the kind that makes America great.

In the Deer Park, Texas, plant of Rohm and Haas, Wagner electric motors and Wagner transformers are an essential part of this production chain. The 75 horsepower Wagner Explosion-Proof Motors (illustrated above) get the power to drive them from Wagner transformers in the low voltage substation, stepped down from the 2400 volts of electricity delivered by Wagner transformers in the main substation, where energy is received at 69,000 volts. Small Wagner air-cooled transformers are also used inside the plant to furnish 120 volts for lights and other single-phase loads.

Wagner engineers are qualified to specify the proper motors and transformers for *your* requirements as well. Consult the nearest of our 31 branch offices or write us.

Wagner Electric Corporation
6460 Plymouth Ave. • St. Louis 14, Mo., U. S. A.



ELECTRIC MOTORS • TRANSFORMERS
INDUSTRIAL BRAKES
AUTOMOTIVE BRAKE SYSTEMS — AIR AND HYDRAULIC

WMH-4

TICKET TALLIES at State U used to take three football managers all day... is now handled by one in a few hours.

TRANSFERS were a 9 to 5 headache to a Midwest street railway... Tickometer now provides exact daily totals in less than two hours.

How many?

...can be a tough question, unless the office has a Tickometer—the new counting machine that can accurately handle currency, coupons, checks... tabs, tickets, transfers... at speeds ranging from 500 to 1,000 an hour!

Not only counts a lot faster than any manual method, but imprints, too—with an optional device that permits the Tickometer to date, code, endorse, or cancel... while it counts!

And the Tickometer both feeds and stacks automatically... records full and partial runs on easy-to-read registers... never makes a mistake!

Now in use at hundreds of banks and utilities, stores and industries, transportation and amusement companies... the Tickometer saves time and trouble anywhere fast, accurate counts are needed... Call any PB office or write direct for illustrated booklet.

CURRENCY COUNTS in a retail store used to be a long, tedious job... is now a cinch—soon after closing!

CHECK counting and endorsing in a large firm usually took hours... Tickometer turned it into a matter of minutes!

Pitney-Bowes
TICKOMETER
Counting and Imprinting Machine

Made by the originators of the postage meter... offices in 93 cities in U. S. and Canada

PITNEY-BOWES, INC.
1423 Pacific St., Stamford, Conn.

Please send illustrated Tickometer booklet to:

Name _____

Firm _____

Address _____

City _____ *State* _____

tioning small office buildings, hotels, and apartments, as well as larger buildings and plants. The unit comes in five sizes. Using one, or any two, of the five sizes, engineers can tailor refrigeration installations to any desired capacity ranging from 45 tons to 380 tons.

• Source: Trane Co., La Crosse, Wis.

NEW PRODUCTS BRIEFS

Industrial knives are sharpened automatically in a matter of seconds by a machine called Blue Streak, made by the Eastman Machine Co., 779 Washington St., Buffalo 3, N. Y. Machine belts vary in abrasiveness, can handle knives that cut materials ranging from chiffon to solid rubber.

•

The Fanmix oil burner developed by Coppus Engineering Corp., Worcester, Mass., uses steam to atomize oil into the smallest possible particles. The design of the industrial burner reportedly eliminates hot spots inside the furnace and forced draft equipment, cuts stack requirements.

•

A 100-w. rough-service bulb that measures only 2⅜ in. in diameter and 5⅛ in. in length is available from Westinghouse Electric Co., Bloomfield, N. J. It fits wire guards and extension cord equipment that can't handle the usual 100-w. bulb.

Home-Assembled Fan

It saves you money to assemble this fan kit at home, says General Electric Co., Schenectady 5, N. Y. It takes about 10 min. to mount the blade and bracket on the preassembled motor. The fan operates in any position, moves about 360 cu. ft. of air a minute. Built into kitchens, attics, and farm buildings, it helps remove moisture and cooking odors, as well as heat.

TINNERMAN

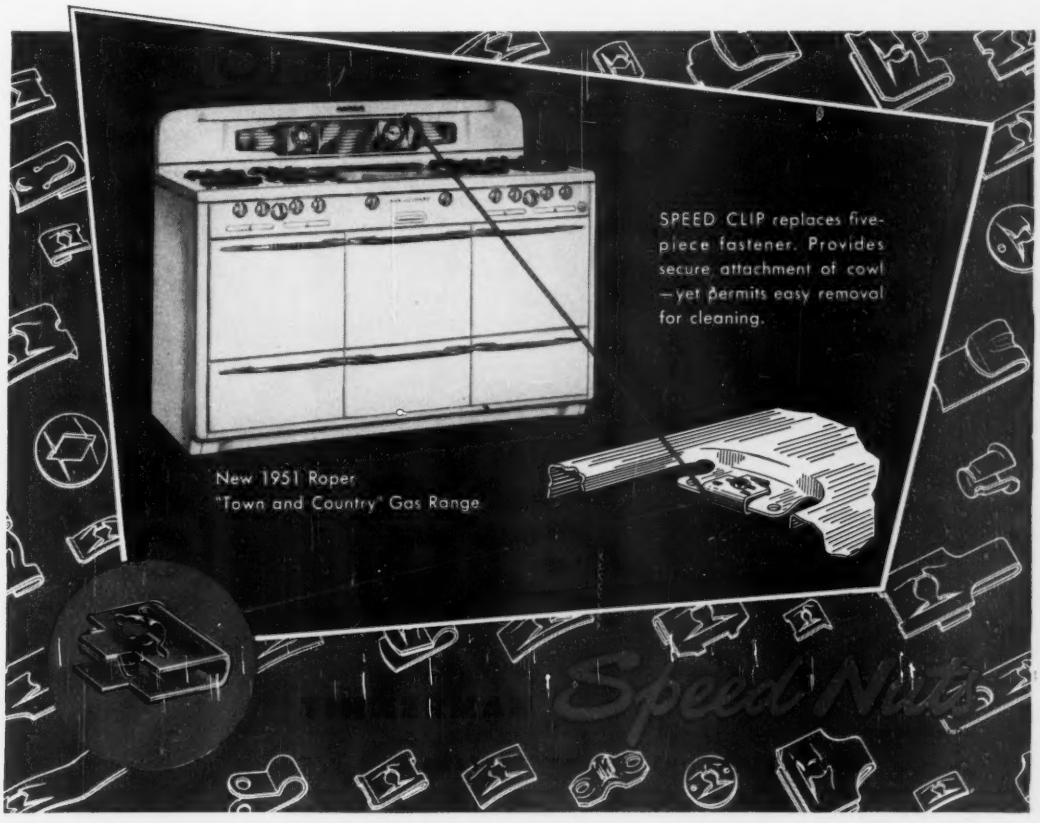
Speed Nut Savings Stories

SPEED CLIPS* help ROPER "boil down" assembly costs

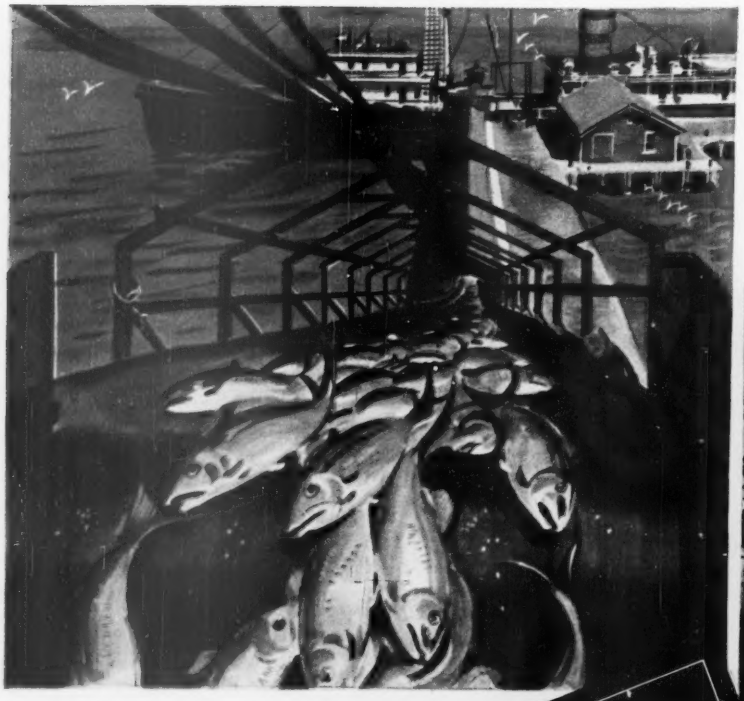
● "Until recently each vent grill cowl on our ranges was attached with a five-piece fastener," reports the Geo. D. Roper Corporation, Rockford, Illinois.

"Now we are making the same attachment with a *single* SPEED CLIP! As with all 65 of the Tinnerman fasteners used on each of our ranges, the assembly savings on this new application are substantial."

Everywhere you look today you find new proof of SPEED NUT savings power. If you haven't made a recent check of your products, we will be glad to conduct a thorough Fastening Analysis. Ask your Tinnerman representative for details on this service, and write for your copy of SPEED NUT Savings Stories. TINNERMAN PRODUCTS, INC., Box 6688, Department 12, Cleveland 1, Ohio. In Canada: Dominion Fasteners Limited, Hamilton. In Great Britain: Simmonds Aerocessories, Limited, Treforest, Wales.


SPEED CLIP replaces five-piece fastener. Provides secure attachment of cowl—yet permits easy removal for cleaning.
New 1951 Roper "Town and Country" Gas Range
Tinnerman Speed Nut

Uncommon carriers t



Most people think of coal or ore when you talk conveyor belts. But the truth is that the G.T.M.—Goodyear Technical Man—has already installed belt systems handling a wide range of materials—some of them surprising even to engineers.

A slippery stream of fish riding up rubber from dock-side into a proc-

GOODYEAR INDUSTRIAL RUBBER PRODUCTS

GTM-Specified CONVEYOR BELT CONSTRUCTIONS

COMPASS STEEL CABLE—for single flights up to 5 miles; lifts to 1,500'
COMPASS CORD CONVEYORS—for shorter hauls and lifts
STACKER CONVEYOR—highest resistance to cuts, gouges, abrasion and flexing
STYLE B CONVEYOR—for handling abrasive materials, ores and the like
STYLE W CONVEYOR—meets most average conditions throughout industry
COAL-FLO BELTING—for tough, underground service in coal mines
STYLE 6740 CONVEYOR—resists temperatures over 250° F.
STYLE HT CONVEYOR—handles materials from 150° -250°
STYLE B GRADER—for rugged service on grading machinery
CANNERS CONVEYOR—sanitary handling of foods in canneries
CHEMIGUM CONVEYORS—for operations needing extreme resistance to oil
RAYON CARCASS CONVEYORS—extreme troughability, low stretch, no loss of fastener holding strength

RIBBED TOP CONVEYORS—for handling of "soupy" materials like cement
PACKAGE CONVEYORS—for handling boxes and packages in plants and stores
ROUGH TOP CONVEYORS—for handling packaged or bagged material on inclines
GRAIN CONVEYORS—for all types of grain handling

FOR HOSE, FLAT BELTS
LINING, RUBBER-COVE
ard of quality, phon
Products Distributor.

GO

TH

hat pay big dividends

essing plant is one example—1,000 tons of oily menhaden being carried into a fertilizer and oil-making plant where former methods could handle only about a third that quantity in the same time. Logs, too, ride to the mill on conveyors in many modern paper and lumber plants. Belts of Chemigum—Goodyear's synthetic rubber—withstand the attack of oil 50 times as well as natural rubber, making them ideal for conveyorizing assembly lines and other operations where extreme resistance to oil is indicated.

Other surprising substances being carried by conveyors are hot coke and other materials at temperatures over 250° – wet, soupy, hard-to-handle cement mixtures—abrasives of all types—even cakes of soap in the process of manufacture. Whatever you want to carry, the G.T.M. can choose from the widest selection of belt constructions to select the one which will best handle your material.

Want proof? The G.T.M. can give you dollars-and-cents figures from successful installations throughout industry—from short hauls inside factories to multi-mile "rubber railroads" carrying high tonnages for long cross-country distances. He can match *your* cargo-handling problems with actual savings made by others to prove that conveyors can be the most economical cargo-handlers. Get in touch with the G.T.M. today by writing Goodyear, Akron 16, Ohio.

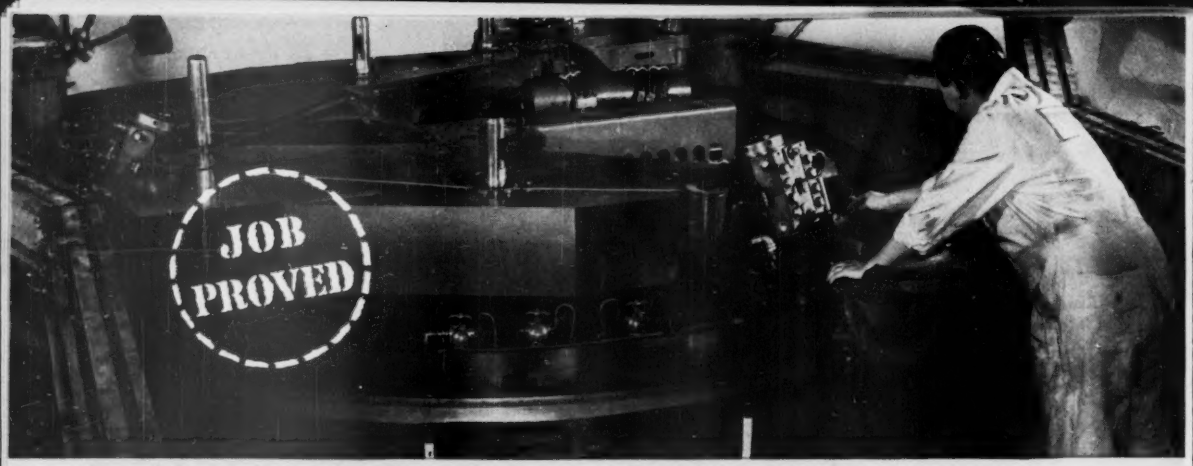
, V-BELTS, MOLDED GOODS, PACKING, TANK
RED ROLLS built to the world's highest stand-
your nearest Goodyear Industrial Rubber

OODYEAR

E GREATEST NAME IN RUBBER

We think you'll like
"THE GREATEST STORY EVER TOLD"
Every Sunday — ABC Network

Compass, Cool-Flo, Chemigum—T. M.'s The Goodyear Tire & Rubber Company, Akron, Ohio

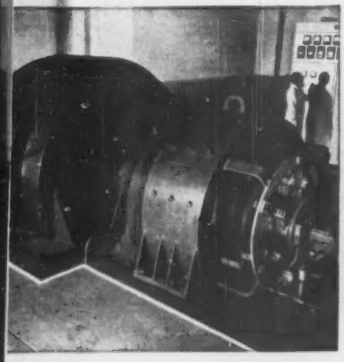


SCIENTIST at Cornell Aeronautical Laboratory gages thin oil film in wind tunnel's oil-cushioned balance system, which measures wind stresses on models to 1/100 of a pound. With the previous oil, rust particles formed, made accurate measurements nearly impossible. Frequent dismantling and cleaning were necessary at a cost of nearly $1,000 each time. Sunvis 931 Oil restored efficiency of the balance system and eliminated overhauls.

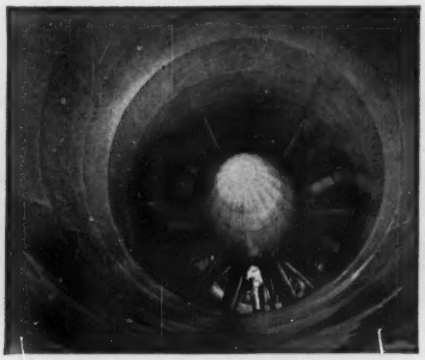
FLIGHT RESEARCH ADVANCED BY SUNVIS 931 OIL

Cornell Aeronautical Laboratory's transonic wind tunnel, valued at more than $3 million, determines the ability of planes to withstand winds up to 750 mph. Two years ago difficulties set in. In the delicate hydraulic balance system—where parts literally float on a film of oil—particles of rust were interfering with accurate measurements. Every few months the entire balance system had to be dismantled, thoroughly cleaned, then reassembled. But there is no problem today. It was solved when a Sun representative recommended Sunvis 931 Oil with "Job Proved" ability to prevent the formation of rust, corrosion, sludges, and gums.

"Job Proved" Sunvis 900 Series Oils are unsurpassed in quality. Under normal operating conditions *they are good for the life of your machinery*. For complete information, call or write your nearest Sun Office.



WINDS UP TO 750 MPH are generated by these two 12,000 hp electric motors directly connected to the main shaft. Sunvis 931 Oil lubricates and protects them, too.



TWO HIGH-SPEED propellers are also lubricated by Sunvis 931 Oil. It remains free-flowing, nonsludging, after more than two years' rigorous service.

TEST PILOT PREPARES for the take-off, confident in the knowledge that scientific laboratory pretesting has minimized the risks he runs.

SUN INDUSTRIAL PRODUCTS

SUN OIL COMPANY, PHILADELPHIA 3, PA. • SUN OIL COMPANY, LTD., TORONTO AND MONTREAL

SUNOCO®

EXECUTIVE OPINION

"The greatest challenge is to . . . the older area . . . to see how alive it can keep itself."

Is New England Too Old?

No, says Walter Wheeler, of New England Council—and points to new steel mill to prove it still has the spirit to move ahead. The big job: to channel its skills and conservatism into greater growth.

Some people think of New England as an area that flowered in the 19th century and has been busy wilting ever since. The New England Council, on the contrary, thinks the region has plenty to sell. This group is a private organization representing all elements in the region's working life—business, industry, agriculture. Its avowed aim is to "stimulate regional action for the further economic progress of New England." At its head is Walter H. Wheeler, Jr., president of Pitney-Bowes, Inc. BUSINESS WEEK took its wire recorder to Wheeler's office in Stamford, Conn., to learn how you keep a mature industrial area from getting senile.

BW: What do you think are the major problems facing the New England Council today?

WHEELER: Well, you see, the council itself has no power to do anything except to stimulate.

BW: Let me rephrase the question—what do you think—

WHEELER: All right, I just state that as a prelude. The council is constantly stimulating activity in various fields that promote the welfare of New England and, through New England, the welfare and strength of the nation. Take development and research, for instance. A great deal has been done

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Raytheon electric motor engineers are "battle-tested"—they proved their creative skill, and piled up priceless experience during World War II. Russell Electric Company, Raytheon subsidiary, was one of the outstanding specialty fractional hp motor manufacturers turning out dynamotors, motor alternators and generator power supplies for Radio, Radar and other electronic equipment for ground, sea and air forces.

With industry once again mobilizing to meet the challenge of a national emergency, it's good to know that Raytheon is ready—a veteran fully trained to supply the specialty fractional motor needs of an expanded "push-button" era. New, enlarged factory facilities have been acquired, and are ready to roll on your specialty motor job; technical experts, top-drawer electrical engineers, experienced production men backed by the rich electronic resources that made the Raytheon name great during World War II are at your service.

Get the facts about Raytheon specialty motor production by sending for this booklet —"Facilities of RUSSELL ELECTRIC COMPANY." Write on your company letterhead for your copy.

RUSSELL ELECTRIC COMPANY

Subsidiary of Raytheon Manufacturing Co.
4501 S. Western Boulevard, Chicago 9, Illinois

"That's fundamental in the New England character . . . a sense of doing what you're called upon to do with what you've got, and not saying you've got to have better tools."

by the council during the last several years to stimulate that. The amazing thing is that we have 15% of the industrial research laboratories in the country here in New England now, although we account for only around 9% of the total production.

BW: What else?

WHEELER: We are trying to stimulate renovation of plants, plant expansion, extension of facilities.

Until recently, we think, there has been far too little of this. For instance, during the last war New England accounted for nearly 10% of the total war production volume. Normally, it would have been expected to do about 8½%. And it did that with only about 4% of the new capital facilities that were provided during World War II. Well, that was a thing you could point to with pride. I mean, at that time the thing to do was to use fully all the facilities we had—not to divert manpower into bricks and mortar and machine tools, which we could do without, because that simply postponed the time when the end products came. And New England did a hell of a lot with very little. She did a better job in that respect than any other section of the country.

But on the other hand, that very trait of, oh, conservation—the short-sighted conservation of not renewing plant or expanding—in the long pull is not good for New England or for the nation. That's why we've been trying to stimulate expansion in any way that we can.

BW: Why is it that New England didn't get its share of new industrial construction during the last war and since the war?

WHEELER: Primarily, there were two reasons. One was that the government was placing a number of the larger contracts in the West: We were more vulnerable to air attacks on the eastern seaboard. And the government was also locating plants where there were the most employees available—in the rural sections. But one of the important reasons was that New England just didn't ask for new construction. They didn't go down and say, "If we are going to take this contract we've got to have a million-dollar expansion of plant."

BW: Is that something peculiar to New Englanders?

WHEELER: You bet your life. That's fundamental in the New England character. It's a sense of independence to start with, of doing what you're called upon to do with what you've got, and not saying you've got to have better tools. It's a good characteristic in many respects. But it can be carried too far.

BW: Since the end of the war, New England has had less private plant expansion than other sections of the country?

WHEELER: It probably has, but bear this in mind: New England is the oldest developed section of the county. It would be a phenomenal thing if it could maintain a rate of growth equal to that of the Midwest or the Southwest or the West Coast, because it is already more fully developed.

BW: Some people say that Washington sometimes thinks of New England as moribund. Have you ever run into that?

WHEELER: Yes, I think so.

BW: What can be done about it?

WHEELER: Just exactly what the New England Council is trying to do about it now. It's a very natural thing

Is it... or **isn't** it?

Just this one simple question, and no one dodges the answer. If it isn't... that's *that*. The customer never gets it. But then, it's mighty seldom that any order for Bristol Brass sheet, rod, or wire doesn't "mike up" to specifications. For Bristol Brass men know their business... in sales, engineering, production, inspection. And if you use Brass, they know *your* business, too. The Bristol Brass Corporation, Bristol, Conn., (makers of Brass since 1850). Offices or warehouses: Boston, Chicago, Cleveland, Dayton, Detroit, Los Angeles, Milwaukee, New York, Philadelphia, Pittsburgh, Providence, Rochester

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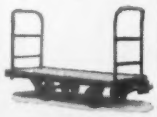
Whether hauled with conventional tractors or by power lift trucks, industrial trailers provide the lowest cost method for the horizontal movement of materials. Check your present system for the added economies trailers make possible.

Famous MERCURY A-310 Trailer
Unequalled in design, efficiency and ruggedness. Over a million in use.



MERCURY "Tug" electric tractor pulls train of A-310 pallet loaded trailers.

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TRACTORS·TRAILERS·LIFT TRUCKS

—that the older developed sections of a country, or of the world, should be more conservative. The greatest challenge always comes to the section of the country or the civilization that is growing older—to see just how alive it can keep itself. If it doesn't keep alive, sooner or later it's going to go under—become decadent. True conservatism, which New England stands for, should require change. If you look into the past, you will see that the very best thing out of the past to conserve or hold on to is change. Without change, we'd still be living in the trees like the monkeys. Now that doesn't mean that the conservative must always jump for every damned new idea that comes along. True conservatism is a careful weighing of all ideas and a willingness to accept sound changes.

BW: Why has New England been losing industry?

WHEELER: It's confined almost entirely to cotton textiles—and over a long period at that. There are two main reasons for it: lower labor cost for one. Secondly, the effort of almost every other section in the country to entice people from New England. We seem to have a lot of good industries here, good businesses that other sections of the country would like to get hold of. If you could see some of the brochures that are put out by cities and regions in other parts of the country trying to entice New England manufacturers out of New England you'd understand why some migration has taken place. Tax exemptions, for example, all sorts of concessions.

BW: What is the reason for the higher wage scale?

WHEELER: It's skill primarily. Older, developed sections of the country generally have a higher wage scale. They are less rural, more industrial, contrasted with many parts of the South, Southwest, and the West.

BW: Wouldn't the fact that New England has skilled workers be to its advantage in some industries?

WHEELER: It is, in metalworking particularly. That is why we're so anxious to get a steel mill.

BW: What about some of the other high-cost problems? Transportation for instance?

WHEELER: That takes us right back to the steel mill again—that's one of the main reasons why we want to have the steel mill here. The outlawing of the "basing-point" pricing system last year applied to many things, of course, but steel was the most important.

BW: Has that worked out for the benefit of New England so far?

WHEELER: No, it's worked out adversely, and we've been active in working to get legislation that will legalize the absorption of freight rates

"I think we can make it damned unpopular for the businessman who gets panicky."

under certain conditions that still guarantee competitive operations.

BW: If there should be an all-out mobilization, would New England suffer during the transition period?

WHEELER: Well, yes, but I don't know that we would suffer necessarily any more than the rest of the country. There might be certain other areas that will suffer less, say where a large aircraft plant gets back into full swing. Of course this whole defense program has been slow in coming out of Washington. Until the last few weeks, it hasn't been easy to get defense contracts.

BW: Will many New England workers be thrown temporarily out of work?

WHEELER: I don't believe a tremendous number will be, no. I would not expect that the dislocation would reach even the proportion of unemployment that we had in 1949.

BW: Suppose we don't get any all-out mobilization. How can New England avoid a repetition of the 1949 drop, when unemployment was very high?

WHEELER: Well, there's only one way that you ever get yourself out of any serious trouble, and that's by education. Now in the recession of '49 we did have a greater degree of unemployment in New England than the rest of the country. That again stems back a little to the New Englander's temperament. If he sees business going off, he is by nature more conservative. He's apt to pull in his horns too quickly. Well, the New England Council went right at that trait hammer and tongs with an educational program. It drove home the idea that a reduction in inventories beyond a reasonable point was a suicidal kind of thing. Nor should we spread depression psychology.

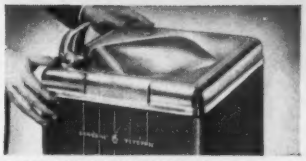
What happened in New England was only a little worse than what happened throughout the country. In my mind, the basic economic reasons for that recession in '49 were very, very limited. In most recessions there are some readjustments necessary in certain fields,

Five Ideas You'll like in the Handsome New G-E Water Cooler!

WATER COOLERS

Water at work... can save you money!

Cool, convenient, sanitary drinking water makes your payroll dollar worth more by improving employee efficiency and morale ...increases sales by building customer goodwill.



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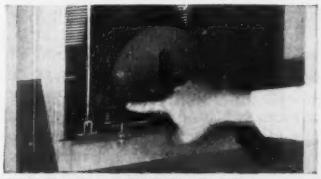
The Tampico Brush finish of the stainless-steel top makes a cool drink of water a pleasant interlude in a busy day.

ATTRACTIVE MODERN STYLING

The new G-E Water Cooler, with its slim lines and cool-green wrinkle finish, blends with any surroundings.



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Efficient, dependable. Tamper-proof and trouble-free. Covered by 5-year protection plan.

FITS ALMOST ANYWHERE

An ordinary office chair takes more space than the new G-E Water Cooler. Looks well between rows of filing cabinets.

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Control knob is easily reached behind removable front panel, yet concealed against tampering. Set it and forget it.

ASK your local G-E dealer for advice on your water cooler requirements. Look for his name in the classified pages of your telephone book.

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You can put your confidence in—

GENERAL ELECTRIC

MAIL THIS COUPON

Please send without obligation to me the fully illustrated book, "Water at Work."

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COMPANY.....

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Bushed!

Wallace Tklop can't see the forest for the leaves!

Like many executives these days, he's hedged in by a luxuriant growth of record-keeping and figure work. For trimming time and cutting costs in figure operations, the services listed below can't be beat!

The New Comptometer features effortless Floating Touch . . . instantaneous registration of answers . . . and exclusive three-way error control that *absolutely eliminates errors caused by faulty stroke!*

Peg-Board Accounting. *Original postings yield final results!* No complicated or expensive machinery necessary.

The Comptometer Payroll Plan requires but a single posting! It's fast, simple, economical.

And call us for: Rental Comptometers. Factory-trained servicemen. Skilled operators.

COMPTOMETER

REG. U. S. PAT. OFF.

ADDING-CALCULATING MACHINES

(electric and non-electric models)

two NEW machines!

Made only by Felt & Tarrant Manufacturing Co., Chicago, and sold exclusively by its Comptometer Division, 1733 North Paulina St., Chicago 22, Illinois.

N. W. AYER & SON

but there is no basic reason why the whole economy should begin to slide —except psychology.

BW: But it did slide.

WHEELER: Sure. But what you had happening is: Somebody starts it—some of the experts and economists say, "Now we're in for a little slide-back, so you'd better go easy." And human nature doesn't seem to like it. You know how the thing went in '49. Consumer buying started to drop off a little bit in some lines. Then the retailer gets panicky, and by God he cuts down his inventory. By the time it hits the distributor he probably cuts his inventory and his buying three or four times as much as the public has eased buying over the counter. And by the time it gets back to the manufacturer, he may make it a shutdown proposition for 30 days.

BW: What can you do about that?

WHEELER: What we did about it in '49 was to blast all over New England that that was the wrong approach to the thing; that we fellows in business should have a little courage and sense of responsibility. I think if another recession starts we can make it pretty damned unpopular for the businessman who gets panicky, who starts talking in the club car or at luncheon with his business friends and saying, "Boys, we'd better pull in our horns and get in out of the storm." We're beginning to understand that that kind of thing is just going to make matters worse.

BW: What about income? Dept. of Commerce figures show that income in New England has risen less over the past 10 years than in any other section of the country.

WHEELER: New England's income is still the third-highest of any region in the country, though.

BW: The rest of the country is coming up, is that it?

WHEELER: Sure, that's absolutely inevitable. But we still set the pace. You can take New England knowhow in any number of manufacturing lines, developed here over a long period of time, and you can export it to some plant in the Midwest. And the new plant can sell its product at about the same price and pay the same wages. Thus you immediately lift a rural area where you put such a plant from a low level of income to a much higher one.

I don't think it reflects in any way on New England—except to its credit. If you start off from scratch, way back in the Revolutionary days—99% of all the manufactured goods were made right here in New England. To the degree that the rest of the country develops, New England has to go down. But with only 2% of the area and 6% of the population, we still do 9% of the production and have better than 7% of the personal income.

They Save $358.54 a Month by not Pulling this Switch

Every day the machinery in a Clinton, Mass. plant* had to be stopped for a half hour while those machines were lubricated. Every stop meant lost production time plus a $14 expenditure for lubrication.

The Clinton people called in an Alemite Lubrication Engineer. They wanted to know if they could eliminate the costly interruption in production time. They felt that lubrication was costing them too much.

The Alemite Lubrication Engineer studied their problem and recommended a system that automatically lubricates the machinery without any shut-down. What's more, lubrication cost was cut from $14 a day to only 21c a day. That saving alone paid for the entire investment in just 43 days.

Call Your Alemite Lubrication Engineer

No matter what size or type of plant you operate, Alemite can show you dozens of ways to save through the more efficient handling of petroleum products. Call your local Alemite Industrial Distributor now or send for the free booklet "11 Ways to Cut Production Costs." Simply attach the coupon below to your letterhead. Dept. B-21, 1850 Diversey Parkway, Chicago 14, Ill.

*Name on request.

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MEANS EVERYTHING FOR LUBRICATION

1. Methods 2. Lubricants 3. Equipment

Another Product of Stewart-Warner

Alemite Cuts Costs 3 Ways

1. In transferring lubricants... cuts man hours 63% for every 100 pounds transferred. No mess, no contamination.

2. In loading grease guns... saves 3¾ man hours for every 100 pounds of lubricant loaded into hand guns.

3. In applying lubricants... saves up to 23.9 man hours for every 100 pounds of lubricant applied to bearings.

FREE! Valuable booklet—
"11 Ways to Cut Production Cost"
(Simply attach to your letterhead)
ALEMITE, Dept. B-21
1850 Diversey Parkway, Chicago 14, Ill.

We'll include facts on the new Alemite Oil-Mist System, too—(OIL-MIST atomizes oil into mist, circulates it to bearings under pressure. Increases life of bearings as much as 17½ times).

Name .....

Company .....

City ..... State .....

National Advertising Media: 1950 vs. 1949

	1950	1949	% Change in Revenues
Magazines' Revenue			
Weeklies, semiweeklies	$226,422,972	$213,427,046	+ 6.1
Women's	80,904,019	82,441,622	— 1.9
Home service	36,044,277	32,706,165	+ 10.2
Farm	30,032,206	28,380,458	+ 5.8
All other	87,245,290	83,839,751	+ 4.1
Total	$460,648,764	$440,795,042	+ 4.5
Network Radio Revenue			
American Broadcasting Co.	$35,270,845	$42,342,854	— 16.7
Columbia Broadcasting System	70,744,669	63,403,583	+ 11.6
Mutual Broadcasting System	16,091,977	18,040,596	— 10.8
National Broadcasting Co.	61,411,546	64,013,296	— 4.1
Total	$183,519,037	$187,800,329	— 2.3
Network Television Revenue			
American Broadcasting Co.	$6,628,662	$1,391,991	+376.2
Columbia Broadcasting Co.	12,797,556	3,446,893	+271.3
Du Mont Television Network	4,500,000	955,525	+370.9
National Broadcasting Co.	21,185,692	6,500,104	+225.9
Total	$45,111,910	$12,294,513	+266.9
Non-Network Radio and Time Sales			
National and Regional Spot Radio	$120,185,348*	$108,314,507	+ 11.0
Regional Network Radio	6,120,750*	5,994,858	+ 2.1
National Spot TV	18,109,000*	7,275,013	+148.9
Total	$144,415,098	$121,584,378	+ 18.8
Industrial, Trade, Export, and Class Papers' Pages of Space			
Industrial	201,510	204,065	— 1.3
Trade	69,832	72,050	— 3.1
Export	12,270	13,539	— 9.4
Class	26,872	26,068	+ 3.1
Total	310,484	315,722	— 1.7
Newspaper Linage (110 cities)			
General	606,513,377	556,396,198	+ 9.0
Automotive	193,978,303	166,137,414	+ 16.8
Total	800,491,680	722,533,612	+ 10.8

*Estimated

Figures on magazines, network radio, and network television from Publishers' Information Bureau are based on one-time card rates, as are Broadcasting Magazine's estimates of non-network radio and television time sales. Figures on industrial, trade, export, and class papers are from Industrial Marketing; those on newspapers are from Media Records. Sunday magazine supplements are counted with newspapers.

It's a Great Day for the Adman

1950 was the best year yet for advertising media, with a total take of about $5.6-billion. Though worried about rising costs and paper shortage, they are bullish about the next few years.

National U. S. advertising in 1950 shaped up just about as bullish observers thought it would early in the year. In other words, it topped anything ever seen before. Estimates put the grand total for all advertising expenditures at $5.6-billion—an improvement of better than 9% over 1949.

The mobilization following in the wake of Korea provided another shot in the arm for an industry that was already hopping along at a furious pace. Most major media chalked up gains over the year before.

Here were the year's major highlights in advertising:

• It was the year of the big sales push. "Drive" was back, perhaps for the first time in the postwar years. Free home demonstrations of TV sets, washing machines, vacuum cleaners, and other housewares were the measure of go-getting sales tactics.

• Television advertising on a national scale continued its sensational upward thrust.

• The mourners couldn't bury radio, despite what happened to TV. It's true, as the table (left) shows, that the radio networks didn't garner so much business as the year before. But their take was still a healthy one. And the national business done by other sectors of radio—in regional and spot business—more than made up the networks' slight downturn. The National Assn. of Broadcasters puts the radio broadcasting industry's gross revenue at $448.2-billion, an increase of 5.4% over the 1949 figure.

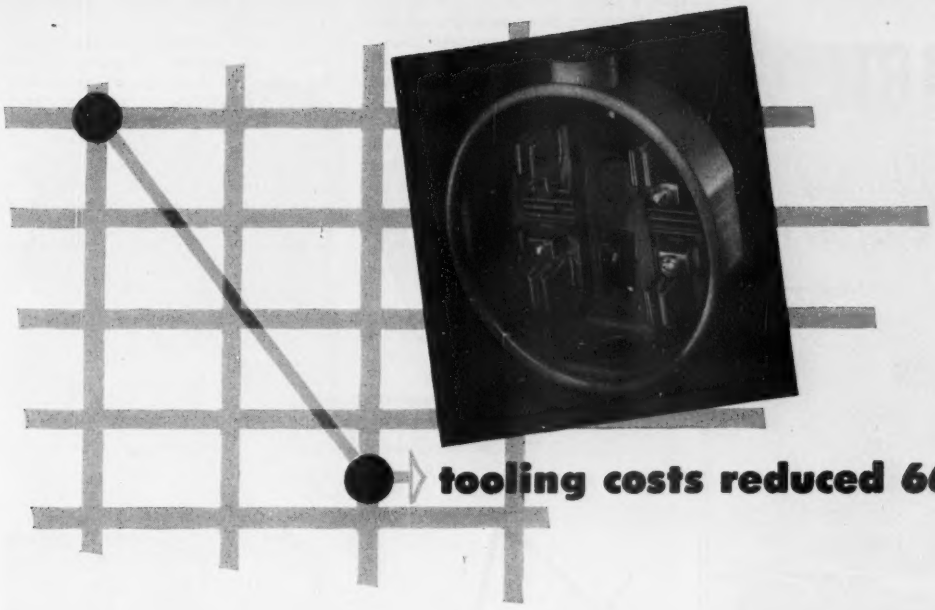
• New products and new brands burst on the market. It was an ammoniated, chlorophyllaceous, quick-frozen, and rinse-free year. A dozen antihistamines went after the cold, hayfever, allergy, and hangover trade. Frozen concentrates revolutionized the citrus industry. Synthetic fabrics, new chemicals, odor fighters were on every side. A new toothpaste for kids boasted that it was also a strawberry-flavored bubble gum. And then there was Hadacol (BW—Jan.6'51,p72).

• It was a year marked by mergers of small and medium advertising agencies. One factor behind this trend is the desire of many agencies to cut down growing overhead costs. Another important factor is the demands that advertisers have been making on agencies for services that the smaller ones can't supply.

• **Forecast: Excellent**—What are the prospects for the coming year? Riding a big wave of confidence, agency men are certain that 1951 is going to be a very handsome year indeed. And they think that, barring a cataclysm, 1952 and 1953 will turn out just as good.

True, excise taxes may make it a bit harder for the appliance and car trades, as well as for sellers of furs and other luxury items. But there will be continued production of hard goods this time, even if at a lower level than the past few years. The excess profits tax means advertisers will not stint in their advertising appropriations. Heavy stocks of liquor will keep the liquor industry on the sales ball. Heavy farm income will keep linage roaring along in national farm media.

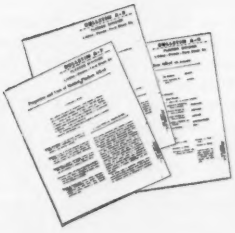
• **Trouble Spots**—These are just some of the main reasons why Madison Ave.



tooling costs reduced 66⅔%

Let Mr. Ray Blakeman, president of Blakeman Bros. Electric Mfg. Co., Los Angeles, tell you this story of savings with Plaskon Alkyd Molding Compound in the manufacture of his company's commercial and residential watt-hour meter-mounting devices. Mr. Blakeman writes: "Tooling cost is about one-third using this material as compared to the tooling cost of other plastic materials"..."We have found that Plaskon Alkyd lends itself very well to automatic molding, giving us a high production rate on automatic presses"..."Percentage of reworks and breakages is extremely low"..."Our particular device requires a high dielectric strength for which Plaskon Alkyd is noted"..."Since using Alkyd we have not had one operating failure...of our product."

Here is more evidence that parts can be molded better and faster at lower cost—with the amazing quick-curing plastic which has created new concepts of speed and economy in compression molding.



It may pay you well to check the possibilities of Plaskon Alkyd in relation to your product. We will be glad to send you a complete set of the latest bulletins describing the many unusual properties of this unusual thermosetting plastic molding compound.

mold it better and faster with

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VISIBILITY *Unlimited*

...in MICHAELS DISPLAY CASES

Michaels "Time-Tight" Cases not only offer maximum visibility, but actually accentuate the beauty of exhibits. These cases are made of extruded bronze or aluminum, and are outstanding in appearance and quality. Innerlocking frames, an exclusive Michaels feature, prevent handling and theft, and reduce the amount of dusting necessary to keep exhibits clean. Cases are made in several styles; there are table cases, wall, aisle, suspended and recessed cases in sizes to meet every requirement. Michaels also manufactures special cases in any quantity for concerns who supply their dealers with display cases. Write for fully illustrated booklet giving complete details.

MUSEUM CASE DIVISION OF

The MICHAELS ART BRONZE CO., Inc.
COVINGTON, KENTUCKY

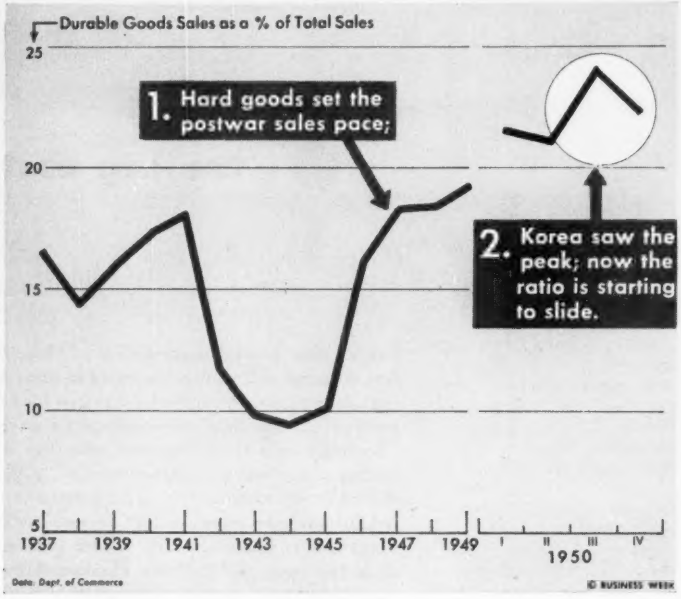
Manufacturers since 1870 of many products in Bronze, Aluminum and other Metals

takes a bullish view of the coming year. Yet, the sober thinkers in the advertising field nurse a few worries. They're keeping a careful eye on possible trouble spots. Their feeling about 1951 is what one observer describes as "modified rapture."

They know that despite the prospects of over-all prosperity there is a chance that some specific media may get bruised. Direct mail has already suffered some as we pass into a period of shortages. For direct mail advertising gets its main boost when admen are thinking in terms of hard selling and close figuring.

The paper shortage is another worry. That could put an automatic lid on the size of publications, which in turn means that newspapers and magazines may have to turn away advertising business. Some are already having to do so. This gives publication men the nice problem of how to take care of new business without hurting the feelings of old customers.

• **Rates, Travel**—Media rates are also something to worry about. Almost



High Tide for Sales of Hard Goods

The third quarter of last year will probably stand for some years to come as the high-water mark of the consumer durable goods industry. In the three months following Korea, total hard-goods sales (including autos) hit a seasonally adjusted annual rate of $33.5-billion.

The fourth quarter was down a bit—though still high. The first rush of post-Korea buying wore off. And government controls in consumer credit began to be a drag on sales of big-ticket items.

The third-quarter splurge brought total durable goods sales for the entire year up to $29.4-billion—a record.

It also showed the ratio of durable goods sales to nondurable to its highest peak. In the third quarter of last year, durables accounted for nearly 25% of total sales. For the year as a whole, they accounted for 22.4%. And this was in spite of the fact that nondurables were climbing, too. Total 1950 sales hit a record $131.2-billion.

The first quarter of 1951 will produce heavy sales of durable goods, of course. But from now on you can expect the ratio to shift more and more in favor of soft goods. Mobilization—to say nothing of excise taxes—will see to that.

It will reverse the trend of the past few years. Since the end of the last war, hard goods have consistently paced the sales field. Sales of nondurables also increased, but not at so rapid a pace as durables. This trend was in keeping with the times. As the general level of income rises, people always tend to put more of their increased spending power into soft goods. We would probably see a continuation of this trend save for the factors of shortages and controls.

Short of all-out war, though, the ratio isn't likely to get so lopsided as it did in World War II. At their low point, in 1943, hard-goods sales accounted for only $6.8-billion, out of total sales of $67.8-billion. This time we'll still keep a fairly high level of civilian hard-goods production.

There's almost no limit to what adhesives can do

Modern adhesives are such versatile materials they sometimes turn up under other names, doing non-fastening jobs. For example, an Armstrong's Adhesive slightly modified will seal the windows of stratospheric planes. There its ability to stick tight to metal is vital as is its flexibility at widely varying temperatures.

Other Armstrong's Adhesives remain permanently plastic, and this quality is retained in a sealer for trailer bodies. Still another provides a colorless joint that won't discolor with age when used to install and seal plastic skylights.

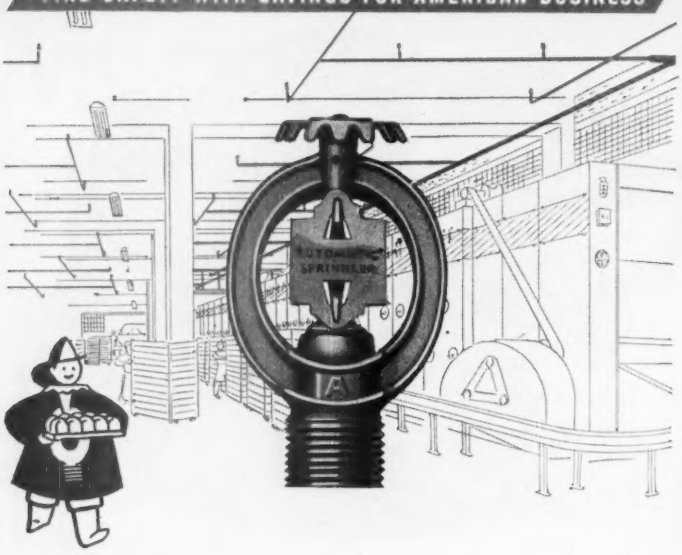
As a matter of fact, the possible uses for Armstrong's Adhesives are almost unlimited. They bond wood to steel, metal to ceramics, metal to metal, even vinyl to vinyl.

If you'd like to know if Armstrong's Adhesives can help you improve your product or your production schedules, we'll be glad to study your problem and make suggestions. Write to the Armstrong Cork Co., Industrial Adhesives Dept., 5102 Reservoir St., Lancaster, Penna. These adhesives are available for export.

ARMSTRONG'S ADHESIVES

Made by the makers of Armstrong's Linoleum

FIRE SAFETY WITH SAVINGS FOR AMERICAN BUSINESS



These bakery plants get safety-plus, with Fire Protection by "Automatic" Sprinkler

Here listed are but a few of the nation's leading bakery products manufacturers who are safeguarding lives, property and—saving money, through the investment of absolute "Automatic" Sprinkler fire protection:

American Stores Company	.	Philadelphia, Pa.
Burny Brothers, Inc.	.	Chicago, Ill.
Capital Bakeries, Inc.	.	Pottsville, Pa.
George E. Drake Baking Co.	.	Pittsburgh, Pa.
Finney's Holsum Bakery	.	Greenville, Texas
Gordon Baking Company	.	Detroit, Mich
Hathaway Bakeries	.	Syracuse, N. Y.
Hathaway Bakeries	.	Boston, Mass.
Holsum Bakeries, Inc.	.	Tampa, Fla.
Johnson Biscuit Company	.	Sioux City, Iowa
Kern's Bakery	.	Knoxville, Tenn.
McGough Bakeries Corp.	.	Birmingham, Ala.
Pacific Cracker Company	.	Los Angeles, Calif.
Purity Bakeries, Inc.	.	Kansas City, Mo.
Purity Baking Company	.	Rockford, Ill.
Schwebel Baking Company	.	Youngstown, Ohio
United Cooperative Society	.	Fitchburg, Mass.

Consult the classified section of your telephone directory for our nearest representative, or call or wire us collect.

Adequate fire protection is essential to the economic operation of any food products plant and—the same is true for all types of industrial, commercial and institutional properties.

Our field representative will be happy to prepare a fire protection analysis for your consideration. Then, you'll be able to see at first hand, why "Automatic" Sprinklers are universally recognized as an important investment today . . . welcomed protection tomorrow—next week—next year—or whenever they are needed.

"AUTOMATIC" SPRINKLER CORPORATION OF AMERICA
YOUNGSTOWN 1, OHIO

"Automatic" Sprinkler
FIRST IN FIRE PROTECTION
DEVELOPMENT . ENGINEERING MANUFACTURE . INSTALLATION
OFFICES IN PRINCIPAL CITIES OF NORTH AND SOUTH AMERICA

universally they have moved upwards. Already the cost of television is something that even strong advertisers quail at—what with rising time rates, higher wage demands by theatrical unions, mounting production costs. This, however, has been a blessing to radio. Too scared to raise its rates because of the threat from this glamor medium, radio is now in a stronger competitive position than before.

Another possible trouble spot is foreign travel advertising. That, of course, could dry up overnight according to what happens on the international scene. But, unless war interferes, Britain and other countries will keep advertising here to lure travelers and their dollars overseas. That's one big consolation ad men didn't have last time. Nor is there any indication Scotch and other foreign liquor advertising will disappear this time as it did last.

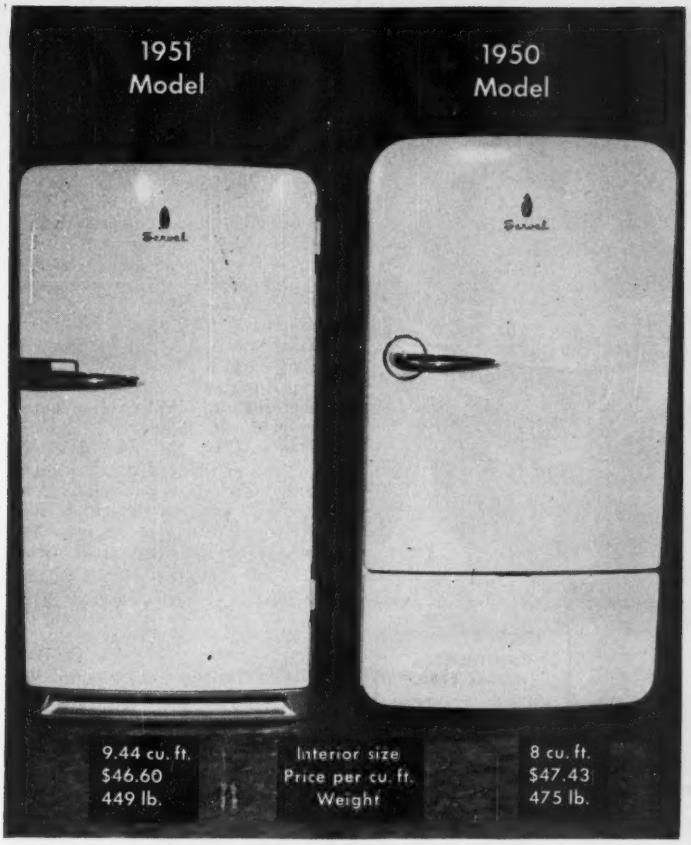
• **New Copy**—The emergency has brought about a considerable revamping of ad copy and themes, particularly for heavy industry lines. A lot of copy has had to be junked, new ads created to fit the times. Copy, for example, that was fine back in June—when customers could take their pick of auto models, types, prices, etc.—won't do when delays, bottlenecks, and shortages pile up.

• **Over the Hump?**—The advertising fraternity is heartened by what's happened so far. But it still isn't sure that it's over the conversion hump. It recalls that last time conversion caused a sufficient hiatus in advertising to fold at least one major agency, J. Stirling Getchell's concern (BW—Dec.16'50, p78).

Of course, business turned around a year or so later and began churning up a wave of trademark, war achievement, or patriotic ads. But the point is that an appropriations stoppage of just a few months can be murder to agencies with their heavy overhead and fixed costs. With this obviously in mind, one agency head recently advised advertisers that a fluid, flexible, uncommitted advertising position is not to be confused with total inactivity.

But any doubt on this score is counterbalanced by the ad man's Washington outlook. Washington is friendly. So no one looks for punitive measures against advertising.

About the only cloud on the official horizon—and it's a slight one—is the possibility that Internal Revenue may be a little tougher than it was in World War II. Then it permitted liberal spending on advertising as deductions from taxable income. This time the excess profits regulations may not favor "cheap dollar" institutional campaigns. The situation is still hazy. But at worst no one expects Washington to put the screws on.



NEW AND OLD: With a roomier, lighter, and less expensive refrigerator . . .

Servel Buys Wartime Goodwill

By redesigning gas refrigerators, it cuts prices just as competitive electric boxes are generally going up. It is counting on high enough production to pay costs of change.

These days you make news when you merely manage to hold the price line. If you cut prices, you can plausibly claim that you are making history. But that is what Servel has just done on its line of gas refrigerators.

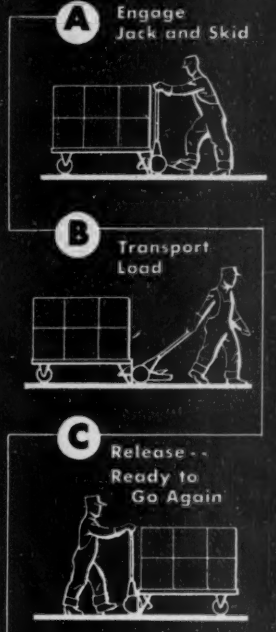
Last year's 8-cu. ft. Servel, pictured above (right), cost $379.50. When this year's comparable model was unveiled last week, the price tag read only $349.50. In other models, where Servel hasn't been able to cut prices, it has at least been able to hold last year's line. Furthermore, it has added some new sizes. The largest (10.3 cu. ft.) costs only $10 more than last year's 8-cu. ft. model.

• **Redesigned**—Servel has earned its footnote in history by redesigning its line from the ground up. The firm has shrunk the outside dimensions of its refrigerators while making the interiors more roomy. This cut not only the weight of each box but—more important now—the amount of steel and aluminum to build it.

The redesign job began about a year ago at the order of W. Paul Jones, who had just come from Philco to take over the presidency of Servel (BW—Sep. 10'49,p97). He told the Servel engineers to sweat the fat off the overweight, expensive Servel line of absorption-type refrigerators.

• **Roomier**—Among other things, the engineers reduced the size of the freezing unit at the bottom of the cabinet. Then they bent it in an L-shape up the

Cut Handling Costs with the Colson LIFT-JACK System— it's as simple as ABC



● Through production, in and out of storage, on and off freight cars or trucks, one Colson Lift-Jack, with wood or steel semi-live skids, does the work of many conventional hand trucks, saves time and money.

Other cost-cutting materials-handling equipment by Colson includes drum and barrel trucks, platform trucks, hand trucks and precision-built wheels and casters. Our engineers are glad to help you select the right equipment to meet your needs—exactly.

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Please send free 56 page catalog "Colson Materials-Handling Trucks".

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Position.....
Company.....
Address.....
City.....Zone.....State.....

THE COLSON CORPORATION
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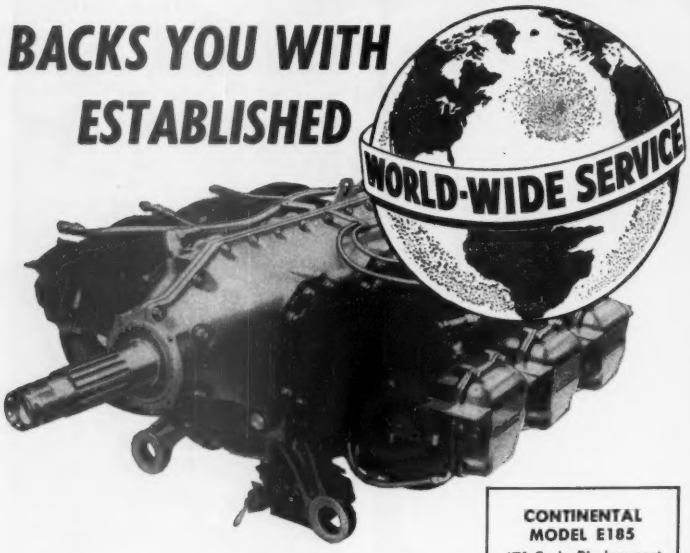


CONTINENTAL
MODEL E185
471 Cu. In. Displacement
185 h.p. at 2300 r.p.m.

The fact that Continental aircraft engines hold all major performance records doubtless has much to do with the preference they enjoy. But at least equally important from the standpoint of owner and pilot is Continental Motors' unreserved acceptance of the obligations which that preference has imposed. This attitude is reflected in Continental Motors' maintenance of parts and service facilities wherever people fly. You may not have occasion to use them this trip, or next—but it's reassuring to know they're always there ahead of you, waiting to speed you on the way.

CONTINENTAL MOTORS · Powerful as the Nation · AMERICA'S STANDARD

CONTINENTAL POWERS MORE LIGHT PLANES THAN ALL OTHER ENGINES COMBINED

Continental Motors Corporation
Aircraft Engine Division
MUSKEGON, MICHIGAN

back of the box. This lowered the bottom of the food compartment, created more space inside the box. They made the box still roomier by making the insulating walls thinner. They also got rid of the weighted base. As a result, this year's 8-cu. ft. model is 5¾ in. shorter, 3¾ in. narrower, and 165 lb. lighter than last year's.

Servel has also gained in another way. It has, in effect, upgraded its line. For one thing it has dropped its small 4-cu. ft. model because, it says, the trend is toward larger sizes. The steel and aluminum it has saved in redesigning will be used to make a larger percentage of the bigger units.

• **Bold Stroke**—But Servel's action in cutting prices is a bold business stroke. In the firm's own words, it has taken a "calculated risk." Whether or not it pays off remains to be seen.

Here's where the risk comes in: Servel can win only if it can maintain a fairly high level of production. After all, it must amortize the cost of engineering and tooling up the new line. Normally, it could expect to spread these costs over increased production. But Servel people admit that this year they may only turn out about 60% of the output reached last year.

Servel could have taken the safer course of running the prices up, thus getting back its investment that much faster. Chances are it could have sold all its output at much higher prices. Why did it make the decision it did?

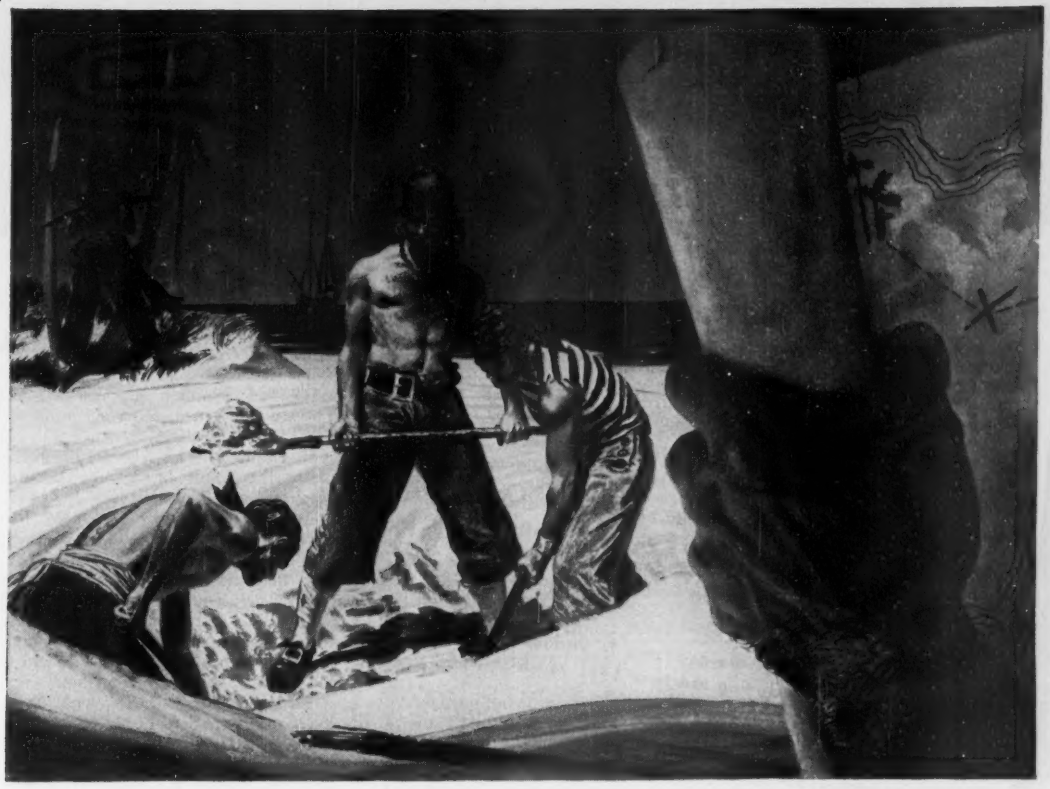
• **Leadership**—The answer is simply that, long-range, Servel is out for a bigger slice of the refrigerator field, and figures that this is the strategic time to start toward the goal. Almost all other refrigerator manufacturers have upped their prices at least once since June. They may well raise them again. Coming when it does, Servel's price cut stands out as a dramatic gesture—especially for a manufacturer with the reputation for fairly high tags.

Servel looks on the money lost by the price cuts as the equivalent dollar-for-dollar of so much advertising. By passing these savings on to the consumer, Servel creates public goodwill.

Servel furthermore achieves a double-barreled effect via its new models. It not only saves material on each refrigerator, but offers a better product as well. These new refrigerators are not war-economy models, a goodwill factor that should help in repeat sales and word-of-mouth plugging.

• **Competition**—Behind Jones' decision lies the competitive position of Servel vis a vis electric refrigerators.

• **Past**—For some years Servel has been at a growing competitive disadvantage. Servels have cost more than comparable electric models. They have been bulkier and heavier. In part, this has been due to the nature of the gas-



Kidd stuff, by today's standards

When Captain Kidd and his cutthroat band buried their plunder, sometimes other pirates dug it up. As a safe deposit box, Mother Earth was a washout.

Today manufacturers make modern bank vaults and safe deposit boxes out of tough, strong Armco Stainless Steel to provide a far surer way of keeping money and valuables safe.

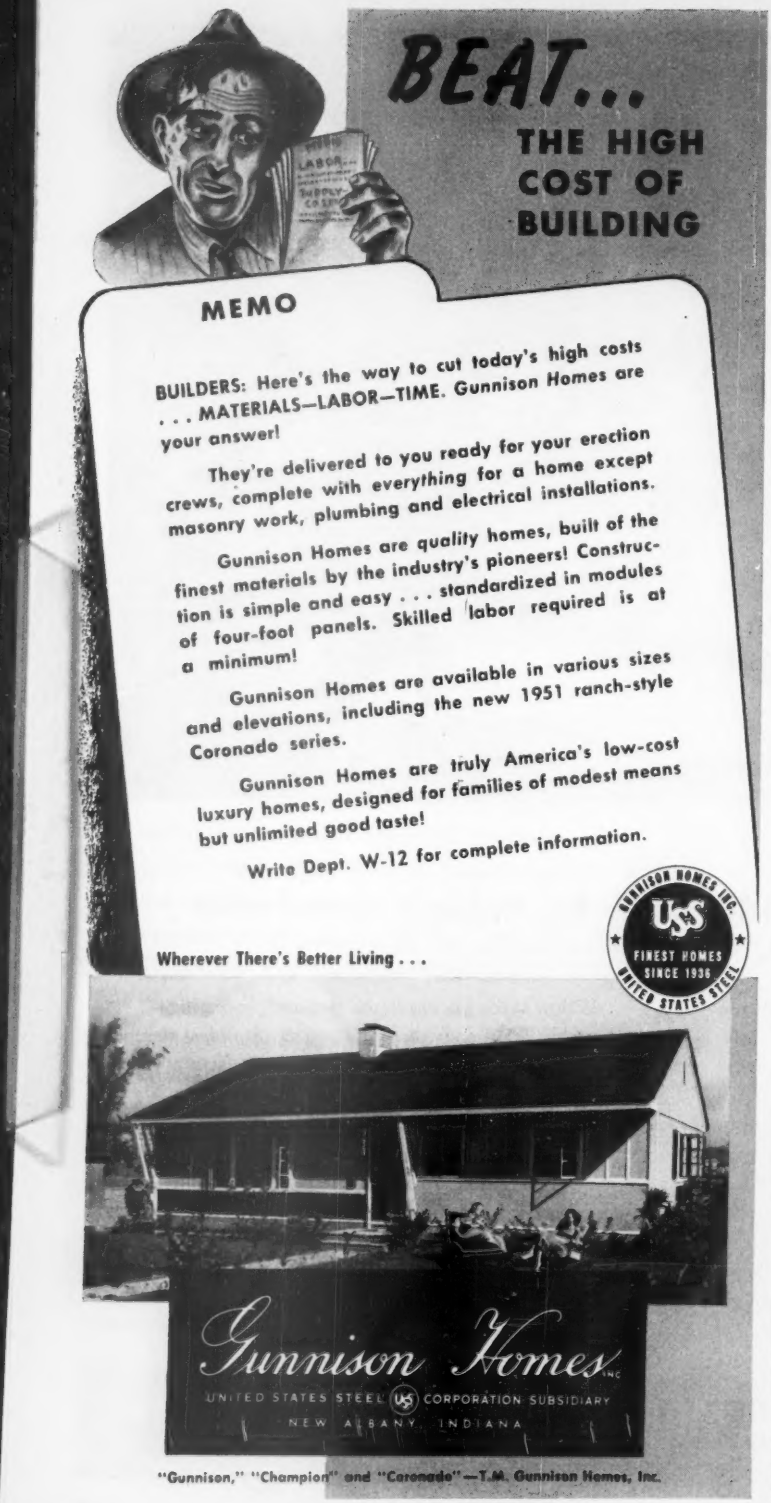
Because Armco Stainless is a bright, rustless metal with no plating to wear off, it gives long service in hundreds of uses—from gleaming hollow ware for the home to huge processing vessels for the chemical industries. Stainless steel is only one member of a large family of Armco Special-Purpose Steels—each developed to enable manufacturers to build greater durability and value into the steel products they make.

The famous Armco trademark, nationally advertised for 36 years, has quickened sales of millions of steel products for home and industry. Armco Steel Corporation, Middletown, Ohio. Export: The Armco International Corporation.

ARMCO STEEL CORPORATION

SPECIAL-PURPOSE STEELS TO HELP MANUFACTURERS MAKE BETTER PRODUCTS FOR YOU

ARMCO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BUILDERS: Here's the way to cut today's high costs . . . MATERIALS—LABOR—TIME. Gunnison Homes are your answer!
They're delivered to you ready for your erection crews, complete with everything for a home except masonry work, plumbing and electrical installations.
Gunnison Homes are quality homes, built of the finest materials by the industry's pioneers! Construction is simple and easy . . . standardized in modules of four-foot panels. Skilled labor required is at a minimum!
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NEW ALBANY, INDIANA
"Gunnison," "Champion" and "Coronado"—T.M. Gunnison Homes, Inc.

absorption process; this type of box requires much heavy steel pipe for the freezing unit, as well as generally heavier insulation than the quick-reacting electric boxes. But the fault also lies in the fact that Servel never had any competition in the field of gas refrigerators until Rheem recently announced that it was going into the field (BW—Nov.25'50,p68).

Over the years Servel's share of the total refrigerator market has slipped from an estimated 16% in 1938 to about 6% currently. This loss of competitive position showed up as $642,000 worth of red ink in the company's books for fiscal 1949. Since Jones has come to Servel things have picked up. Sales last year were $57.3-million as against $41.2-million the year before. The red ink turned into a net profit of $2.7-million for 1950.

• **De-emphasis**—This recovery has been partly the result of Servel's heavier emphasis on diversification. In 1948 household refrigerators accounted for 88% of the company's dollar volume; in 1949, 77%. Last year, despite the fact that refrigerator sales increased 50%, they accounted for only 73% of sales. The rest came from Servel's water heaters, air conditioners, and other products. Servel also makes wings for Republic F-84 fighter planes.

The new bigger boxes with their lower prices are Servel's bid for a larger share of the refrigerator market. The company intends to increase its advertising budget this year. It is also making an effort to widen distribution. Up to now about half its refrigerator output has been sold directly by gas-utility companies. Servel wants more electrical appliance dealers in the fold.

MARKETING BRIEFS

Auto dealers have forgotten their anguish over credit controls (BW—Dec.2 '50,p81). In December, with sales up 40% over the same month a year ago, they made the biggest gains of any branch of retailing. Their sales for the year were 25% ahead of 1949.

•

Consumers will wince when they go out to buy men's suits this fall. The apparel industry is figuring that the retail price of men's suits will be $10 higher than at present, $15 higher than last fall. And they look for still higher prices after that—controls or no controls.

•

Georgia giveth with one hand, taketh away with the other. The legislature is repealing the state's cigarette price-fixing law. That should lower prices by 2¢ a pack. But it is likewise readying a 3% general sales tax—which will run the price back up again.

Sales Outlook

This week management men were getting used to a new responsibility: counting sheep. They were staying awake nights over material shortages, manpower shortages, inflation, and the increasingly grave situation in the Far East. These pressures were already distorting the sales picture in most industries, and skewed curves were becoming common as new pressures were felt.

More and more, management men were putting MECHANIZED SELLING* to work to take some of the load off overworked sales departments. Because it uses the high-speed, low-cost tools of ADVERTISING to save the salesman's time and the company's money, Mechanized Selling promises common-sense answers to the problems of doing business in today's economy.

Sales costs, according to recent surveys, now average $18.42 per personal call over the whole of industry. Thus the cost of Mechanized Selling, reckoned in pennies per contact, makes sound sense.

Whether YOUR PRODUCT is available or in short supply, your immediate or future sales will be determined by the acceptance you build and maintain in the minds of the buyers. Mechanized Selling shortens the route to product acceptance.

Mechanized Selling Builds and Protects Your Markets

***Business Paper Advertising, functioning consistently on steps one, two, three, and six, can carry a bigger share of the sales load today, and protect your markets for tomorrow. That's Mechanized Selling at work!**

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5. CLOSE THE ORDER
4. MAKE SPECIFIC PROPOSAL
3. CREATE and hold PREFERENCE
2. AROUSE and hold INTEREST
1. CONTACT and hold CONTACT

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A-8869

Your 1970 economies begin today

with TREMCO flooring methods

● 18 YEARS AGO, Farley & Loetscher Manufacturing Company of Dubuque, Iowa, asked the Tremco Man how to put down a floor that would take heavy trucking of sash and door loads over the original concrete.

A Mulsomastic Floor was installed and has been in use every working day since—and is still in use. That floor hasn't cost one cent to maintain. Heavy trucking with both steel wheeled trucks and power trucks has been rolling over it. The floor is smooth and in first class condition at this time—and will be for a long time to come.

FLOOR SAVINGS START TODAY This kind of service is what makes Mulsomastic a low cost floor. In addition it is the lowest cost heavy duty industrial floor to install over a suitable concrete or wood base.

USE YOUR OWN LABOR Save labor costs by installing Mulsomastic with your own men under Tremco Man instruction. Whether it's ten or ten thousand square feet, the Tremco Man will show you how Mulsomastic will cut your flooring costs. For good floors at low cost—call in the Tremco Man.

SPECIAL CHARACTERISTICS OF MULSOMASTIC – Stays dry and warm—resists acid—resists sparks and fire—can be made sanitary—is non-skid—can be used to alter pitch of floors for draining. UM 1001A

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Products and Methods for Building Maintenance
THE TREMCO MANUFACTURING CO.
CLEVELAND, OHIO

EDUCATION

BUSINESS STUDENTS at Stanford run their own industrial plant right in the laboratory. Here Prof. F. K. Shallenberger (white coat) and students discuss layout.

TINY ELECTRIC MOTORS are one product of "factory." Student winds armatures, while another holds stopwatch for a production time analysis. Despite shortages . . .

Industry Blooms on Campus

Realism in the classroom can go too far. And nobody just now knows it better than the 30 students in Stanford University's industrial laboratory.

Aim of the lab is to duplicate exactly the problems of running a business. The students did just that; and so they ended up hamstrung by the biggest current problem of all—shortage of materials.

• Learn by Doing—The lab is part of Stanford's Graduate School of Business. Its method is to have the students operate their own miniature manufacturing businesses. The idea is that, by coping with production problems, making time studies and cost analyses, the students will get the feel of an operating industrial enterprise.

One of the projects now under way is the manufacture of thumb-size electric motors. Plans called for production of 500 units—and then came Korea. Alnico magnets are a vital part of the motor; and the magnets are made of

- ★ Hot Applied Tar Base Coatings
- ★ Cold Applied Tar Base Coatings—Series 100
- ★ Alkyd Base Coatings—Series 200
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In times like these, your desk may have to withstand *extra* years of hard use. The distinctive STEEL AGE Executive Desk gives you the *extra* sturdiness and precision construction you want . . . your assurance of a good investment that keeps paying dividends in comfort and efficiency. Why not see your STEEL AGE dealer *today?*

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No Boards • No Front Rod • No Back Rod
Costs less to operate . . . Forges more minutes per hour . . . Is safer and easier to operate . . . This hammer is setting new records in cutting forging costs and in increasing production.

CECO-DROP

• ***The Boardless Gravity Drop Hammer*** •

aluminum, nickel, cobalt, and copper, all of them critical for electronics and aircraft. So the prices of the magnets skyrocketed, and motor production had to be cut in half.

• **Patent Snag**—This isn't the first time that Frank K. Shallenberger, professor of industrial management, has been able to lay before his manager-students an unexpected crisis like those they'll face in the business world. Shallenberger smiled proudly when they brought him plans for a new home food chopper some time ago. It was good—so good, in fact, that they couldn't proceed because a restaurant equipment manufacturer already held the patents.

Shallenberger himself is an old hand at industrial management problems. His booklet, Production Management in Small Plants, has been cited by the government and is being translated for use in Europe. He came to Stanford in 1947, fresh from government service as chief of aircraft plant disposal. By the end of the year, he had put over his idea for a student-run manufacturing concern.

• **Tool Bargain**—Each year, students of the lab develop and make a new product. For equipment they have $30,000 worth of machine tools that the university picked up from war surplus for $1,500. The students put the machines into operating condition and now use them for their manufacturing operations. The students pay for materials, aim to recoup by the sale of their products.

The first project, a two-year proposition, was making a circular saw. About 50 were turned out; they were sold to Business School students for $15, the cost of materials. In regular commerce, they would have been worth about $40.

The electric motor project got under way last year. It was to be followed by production of a sandwich grill but the aluminum shortage scotched that. Now the search is on for something that uses noncritical materials.

• **Comparison**—To control costs, the "company" figures overhead to the last penny. But profits are just on paper, since students buy all the output and there is no competing with private producers. Yet a market survey, conducted by students in another class, indicated the motors compare favorably in cost and quality with those produced commercially.

Industrial companies nearby have cooperated by letting the class tackle actual production problems on the plant floor. Students have discovered short cuts for rolling linoleum, winding transformer coils, polishing cabinet fixtures, and spray-painting electronic parts. They devised a cost-cutting program for grocery shelf replenishment and engineered a $10,000 restaurant kitchen layout.

(*Advertisement*)

Air conditioning and defense

America is getting ready to cope with whatever may come. Factories all over the land are turning from peacetime production to defense production. And even the most sanguine hopes of avoiding total war are tinged with the urgent need for preparation.

Here at Carrier, we are beginning to make "tanks and guns." But we are also making air conditioning and refrigeration equipment, firm in the belief that this is also essential to the defense of our country.

The job air conditioning and refrigeration can do was made crystal-clear during World War II. Carrier equipment functioned on beachheads and on battleships. In plants everywhere, it was a production tool — helping make things *faster, better, cheaper.*

By providing constant temperature and humidity, it kept hundreds of precise parts corrosion-free and to close tolerances — speeding the mass production of aircraft engines.

By cooling brine to 85 degrees below zero, Carrier equipment helped turn out an ever-increasing volume of synthetic rubber.

It preserved food for safe transportation throughout the world. It was vital in the production of radar and optical equipment, electronic devices, synthetic fibers, high-octane gasoline, sulfa, penicillin and scores of other key products.

Most of these wartime applications were merely extensions of our normal business. True, the end result was sometimes different. But the equipment was the same and it had the same job to do.

Right now a lot is being said about defense needs versus civilian needs. Actually, the line between the two is often hard to draw. And this is particularly true in our business.

Is air conditioning a textile plant a civilian use of air conditioning? That plant may quickly be required to step up production. For both soldiers and civilians must be clothed.

Is refrigerating a food processing plant a civilian use of refrigeration? The increased output of that plant may soon have to be divided between fighters and workers.

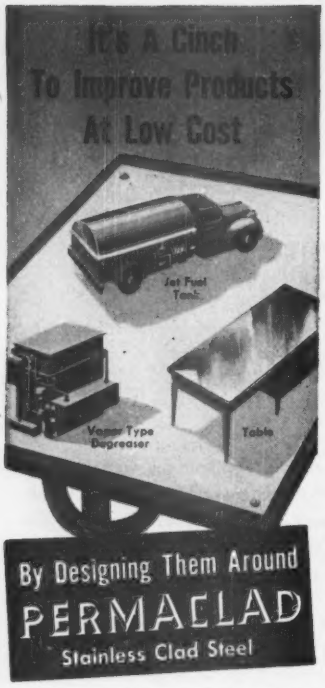
What about air conditioning the space in which delicate gauges are to be stored? Is this more important than making bearable the hot and humid room where men are working around the clock on defense planning?

These problems must be resolved by answering this basic question — will air conditioning get the job done *faster, better, cheaper?*

The thing that counts is productivity. For productivity is America's strongest defense.

Carrier

AIR CONDITIONING · REFRIGERATION



Truly Corrosion Resistant! Easily Formed!

Are you interested in improving your product, and giving it corrosion resistance where corrosion resistance is needed? Then it will pay you to learn about PERMACLAD Stainless Clad Steel. PERMACLAD combines the surface characteristics of stainless with the forming qualities of mild carbon steel. Percentage of stainless is usually 10% or 20% but it can be varied to meet design requirements.

You can conserve materials in critically short supply by using PERMACLAD. Best of all you can vastly improve your products at low cost. Executives, Designers, Engineers and Architects everywhere are specifying PERMACLAD. Get more information about this modern material now. Write for booklet DD.

Improve Design at Low Cost by Specifying **PERMACLAD**

PERMACLAD
STAINLESS CLAD STEEL
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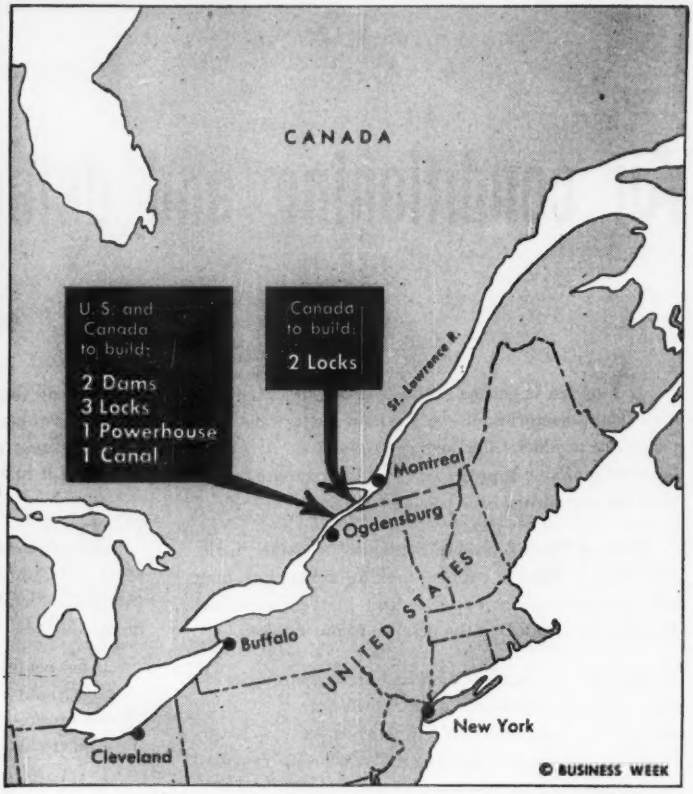
REGIONS



DEEPWATER CHANNEL from Labrador to the Great Lakes is the big selling point as . . .

Ore Haul Revives Seaway

St. Lawrence project is coming up in Congress again. This time its backers, with steel industry on their side, think they have a good chance. Labrador iron mines have made the difference.

The St. Lawrence Seaway, that battered old warrior in the congressional ring, is coming out of its corner again next week. What's more, its backers think that this time it has a good chance to beat the foes that have flattened it so often in the past.

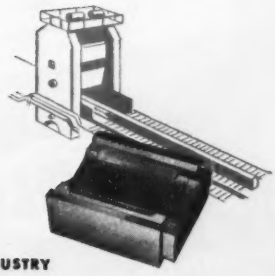
Time and again since 1932, committees have wet-blanketed resolutions that would have given congressional blessing to starting work under the old seaway and hydroelectric agreement we signed with Canada.

• **Secret Poll**—Next week, the House Public Works Committee will start hearings on one more such resolution. A secret poll shows that, of the committee's 26 members, eight favor the measure, six are flatly opposed, and 12 are "open-minded." Within a month, the Senate Foreign Relations Committee will take up an identical resolution.

• **Sides Changed**—Backers of the seaway are very hopeful of reversing the old verdict. Essentially, their hopes arise from the development of iron ore reserves in Labrador and Quebec. These mines have brought a sharp realignment among the friends and foes of the seaway. Moving to the friendly, or at least not actively opposed, side is U. S. Steel, with a host of smaller steel companies trailing after. When there was plenty of ore in the Mesabi range, the steel people yawned, if they didn't snort, at the idea of the seaway. Now Mesabi is running thin; and steel is impressed at the thought of 10,000-ton

When full productive capacity is a *"MUST"*

micarta is basic!



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MICARTA is lighter than aluminum . . . and pound for pound, has a compressive strength greater than structural steel. It cannot rust.

MICARTA resists heat and cold . . . acts as a quencher for noise and vibration. It makes an ideal insulator.

Explore this solid and workable plastic. It can be machined, formed, or fabricated easier and more economically than metal. Westinghouse Electric Corporation, Micarta Div., Trafford, Pa.

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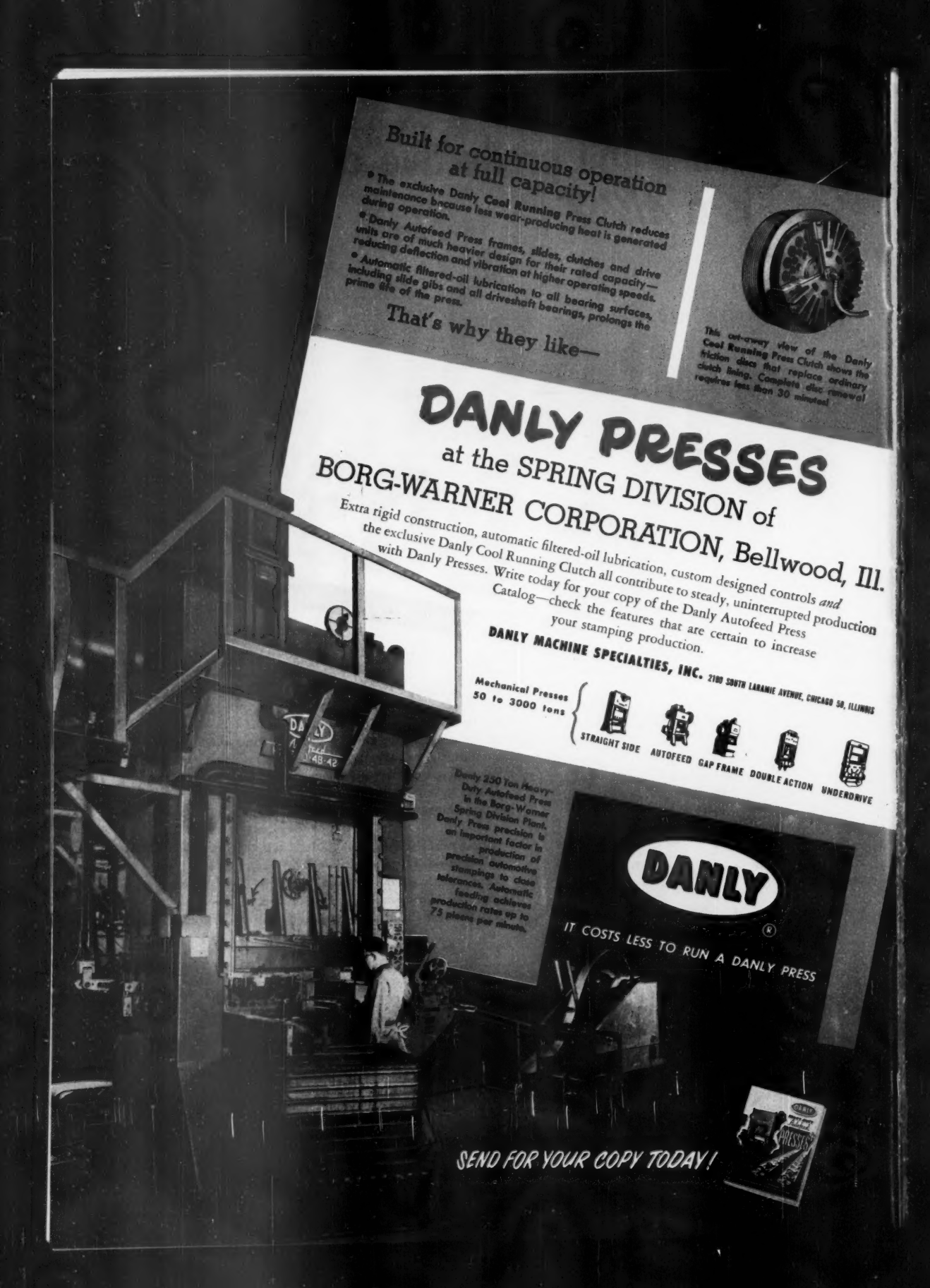
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• Automatic filtered-oil lubrication to all bearing surfaces, including slide gibs and all driveshaft bearings, prolongs the prime life of the press.
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DANLY
IT COSTS LESS TO RUN A DANLY PRESS
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ships bringing Labrador iron ore to Great Lakes ports.

The Hanna mining interests, of Cleveland, led the movement away from the antiseaway group in 1949, when they joined Hollinger Consolidated Mines, Ltd., in developing the Labrador and Quebec mines.

• **The Antis**—This cuts the antis down to their hard core: the mine operators other than Hanna, the railroads, the Great Lakes ship operators, the Atlantic ports, and the port of New Orleans.

The United Mine Workers remain unalterably opposed to the seaway. The railroad brotherhoods, which used to go along with them, seem inclined to sit on the fence this time. The CIO and the Central State Federations of the AFL support the seaway. So do the American Farm Bureau Federation and the National Grange.

President Truman is actively campaigning to win the seaway and power project as one package. He is backed by New England's four Democratic senators, and by three of the eight Republicans—Margaret Chase Smith (Me.), Tobey (N. H.), and Aiken (Vt.). The Army engineers, Defense Mobilizer Charles E. Wilson, and a strong bipartisan bloc of midwestern senators are also in the seaway's corner.

• **Ohio Senators**—The bloc hopes to win the support of Ohio's Robert Taft and John W. Bricker. Bricker told BUSINESS WEEK that he was willing to consider arguments justifying the project under present world conditions. But Bricker still believes that the over-all cost of the Administration package would exceed $1.5-billion.

Proponents of the project claimed in 1949 that costs would run around $803-million, of which the U. S. would pay $573-million. Canada would pay the balance.

• **Main Dam**—If and when the U. S. does go ahead with construction, more than two-thirds of the work will be concentrated in the International Rapids section of the New York State-Ontario boundary. A control dam would go up at Ogdensburg, with the main dam four miles away at Massena. Canada and the U. S. would each use half the flow of the rapids and would each generate 1.1-million hp.

For navigation purposes, canals and locks for ships with a 27-ft. draft would be built in New York State. Two side canals and three locks would be needed in New York. Modernization of locks and dredging are required on the Welland Canal. Approach channels and turn-around basins would have to be dredged in Great Lakes ports for ocean-going ships.

Opponents of the seaway say that all this additional work would certainly add an enormous amount to the estimated cost.

SALES-WINNING IDEAS PUT TO WORK AT LOWEST COST

Our machines meet a great variety of packaging requirements.

Look about you in retail outlets and you'll see many packages that feature new and ingenious improvements — improvements that result in GREATER SALES . . . You will also find that in an impressive number of cases such sales-winning packages are being produced on machines designed and built by PACKAGE of Springfield.

In meeting today's demand for package improvement, our Engineering and Designing Department brings to bear the skill and experience gained in serving leading manufacturers for the past 38 years. And our more than 80 standard models of machines lend themselves to such a diversity of requirements, that by simple adaptations we can usually supply a machine which will fill a new need most economically.

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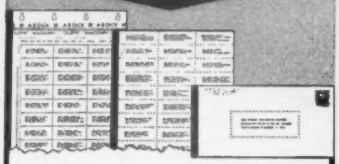

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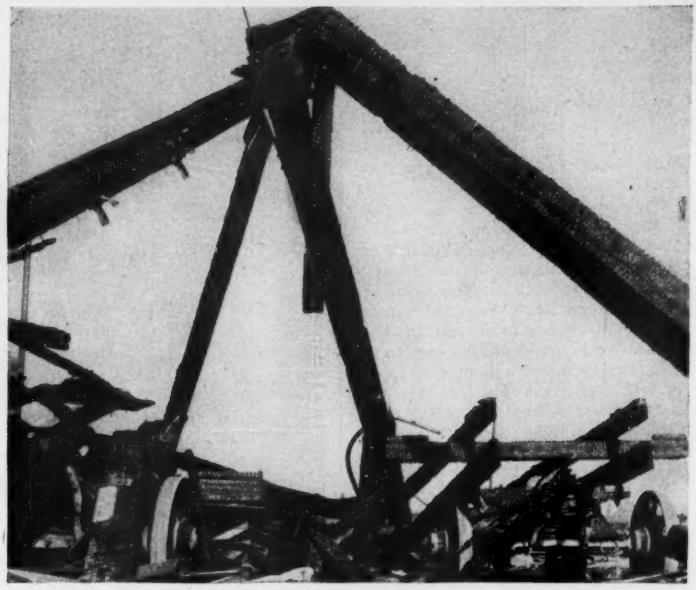
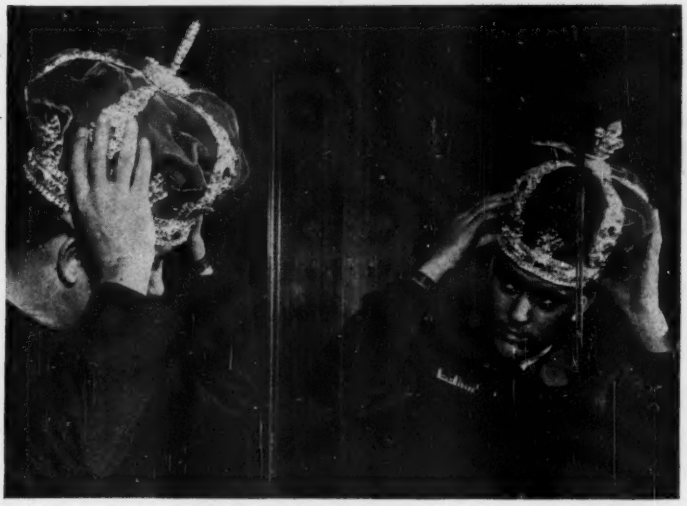


FIRE DESTROYED flossiest floats for New Orleans' Mardi Gras. Improvisation followed.



PATRIOTIC MOTIF made this invalided Marine, veteran of Korea, King of the Carnival.

King Carnival's in Uniform

King Carnival is a tough old bird to kill, at least in New Orleans. Just a couple of months ago it looked as though he were deader than a doornail, at least for 1951's war-blighted Mardi Gras.

Fire had destroyed the floats of Rex, fanciest of the parading organizations. The Rex people gave up; they thought it would be poor taste for them to reconstruct their floats while fighting was going on in Korea. Three other leading groups of paraders also turned in their chips.

Things looked black, especially to the city's businessmen who have learned to love the millions of tourist dollars that flow into New Orleans every year at Mardi Gras. Out of their gloom flashed the spark of an idea: Why not have a patriotic parade?

An organization called Patria was

NOT RAIN NOR FROST could kill all the old raucous gaiety. Witness these maskers.

at Mardi Gras

hastily run up. So were some floats; others were borrowed from other groups less despondent than the big four. For king, the resuscitated carnival picked Lindsay Alexis Larson, Jr., a local boy who had been frostbitten while serving as a Marine medic in Korea. His Mardi Gras queen was a WAC corporal; his court, an assortment of service men and women.

Troubles weren't over. Even the elements conspired, pelting the celebrants with rain, nipping them with an unseasonable freeze. But the fete went on; everybody was gay, at least fairly gay.

When the score was checked, businessmen were fairly gay, too. Tourist business had been off, but not too much. Hotels, which in the past had to turn down 12 applicants for each room, this year rejected only three. Motels were full, retail stores found a modest boost in business. Not bad, considering the weather, and the war-shrunken buildup.

AT THE DOBECKMUN COMPANY

CLEVELAND, OHIO

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"But he used his head — signed up a Taft-Peirce engineering group. He got the order — *and a sizeable bonus.*"

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TAKE IT TO TAFT-PEIRCE

For Engineering, Tooling, Contract Manufacturing

As the Nation Goes

So goes Maine. Legislature has to choose between raising taxes or running a deficit. Hearings start on sales tax proposal.

This week Maine's stern and rock-bound legislators were scheduled to face a choice that would have tried the hardiest of their pioneer ancestors. In a state where debt and taxes are in equally evil odor, the legislature has to choose between higher taxes and deficit financing.

The first round in this battle between Maine and its conscience is under way in the public hearing called by the Senate taxation committee to consider an assortment of proposals to keep Maine out of hock by a general sales tax.

• **$12-Million**—Gov. Frederick Payne has already urged adoption of a 2% tax on all transactions except the sale of food for home consumption (BW—Feb 3'51,p78). Payne figures the tax would raise about $12-million.

The governor asked for the sales tax when he presented a record-smashing $57.9-million budget. Recommended expenditures outran revenues expected from existing taxes by $7.7-million. The sales tax, he said, would not only wipe out the expected deficit, but would allow Maine to discard "antiquated" property and tobacco taxes.

• **War Surplus**—Maine's tax problem has been building up for some years. But a $7-million surplus, built up during World War II, staved off the day of reckoning. When the costs of government started running ahead of tax income, the legislators used the surplus to make up the difference. Now, the surplus is all gone.

Six major tax bills have been filed: a 2% sales tax with no exemptions; a 2% sales tax exempting food and seven other items; a corporate franchise tax; a 3% personal income tax; a gross income tax; and 1¢ more on the 4¢ cigarette tax. Bond issues and lotteries have also been suggested.

• **Referendum**—Should the legislators take the red-ink route of a bond issue, it will have to go to the voters in a referendum. If they settle for a new tax, chances are the voters will get a shot at that, too. Maine's law requires only 17,000 signatures to force such a referendum.

Opposition to the sales tax proposal is already developing, though it was recommended by a majority of the governor's 1950 tax committee. Just about everyone who has studied Maine's problem agrees that the tax base ought to be broadened somehow.

READERS REPORT

The Case for Excises

Sirs:

In your leading article of last week (BW—Feb.10'51,p19), you say that excise taxes are "a charm that is proving increasingly irresistible to the Administration." That makes it sound as though excise taxes are nothing but political expediency achieved by the use of mirrors. Aren't excise taxes much more than that?

Excise taxes actually should be a keystone of mobilization economic and fiscal policy. They will go far towards realizing some major aims—of cutting down sales of autos, appliances, and other civilian goods that use up scarce materials needed for defense; of siphoning off the country's huge excess purchasing power that creates inflation.

Everybody, from the manufacturer to the consumer, will scream that he is being hurt by excise taxes. In peacetime they—particularly the consumer—would have a good case, for basically excise taxes are an inequitable tax that cuts sales and hits the poor, not the rich. But what are you going to do in times like these? The efficacy of the taxes will be measured by the volume of sound created by the wailers.

Remember, too, that while excise taxes raise prices, they have this advantage: The retailer is not allowed to take a markup on them. So you can expect to hear him scream, too.

J. N. SYKES

FRAMINGHAM, MASS.

Machine Tool Priorities

Sirs:

I notice an incorrect statement about the NPA program involving DO priority ratings for machine tools [BW—Jan.27'51,p30].

The quotation is as follows:

"But they [machine-tool builders] were getting bogged down because NPA had specifically banned any use of its DO priority to get machine tools. . . ."

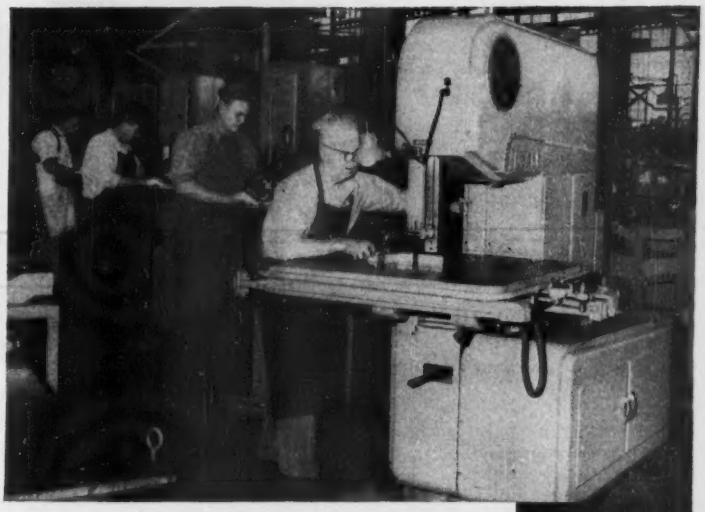
Our Application Form NPA F-2 may be used by any manufacturer who:

1. Is using his existing production equipment of a certain type to its full capacity on defense orders, and who . . .

2. Requires additional equipment or repair parts in order to complete his DO-rated contracts on schedule, and who . . .

3. Has made a reasonable effort to obtain such equipment, either new or secondhand, without a priority rating.

On approval of the application by the defense agency, the manufacturer has the authority to use DO-98 on his order



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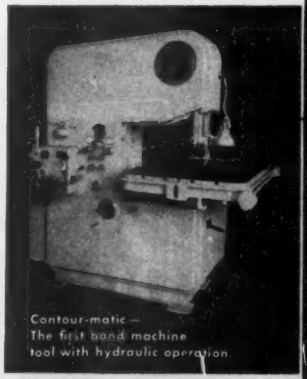

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RUST-OLEUM stops rust! Its tough, pliable, rust-resisting film gives excellent protection that prevents rust losses under many difficult rust-producing conditions.

RUST-OLEUM can be applied *even* over rusted surfaces. It is not necessary to remove all the rust. Just use wire brush and sharp scraper to remove rust scale and loose rust. Economical and easy to use because no sand blasting or chemical pre-cleaning is required.

RUST-OLEUM can be obtained promptly from Industrial Distributors' stocks in principal cities of the United States and Canada. Anticipate your needs and order now! For complete catalog see *Sweet's*, which also lists your nearest source of supply, or write on your company's letterhead for full information.

RUST-OLEUM CORPORATION
2422 Oakton Street, Evanston, Illinois

for machine tools or repair parts, and the supplier with whom he places the order may extend the rating for the components and materials required.

You would be correct in stating that:

1. A manufacturer may not extend his original DO rating to get machine tools or other capital equipment; or that

2. DO-98 priority rating may not be used for building materials or building equipment needed for plant expansion.

JOHN F. McKIERNAN
REGIONAL DIRECTOR,
U. S. DEPT. OF COMMERCE,
NEW YORK, N. Y.

Here's Mote in Your Eye

Sirs:

Your story entitled "Milk Hike Rumpus" [BW—Jan.13'50,p52] tells how Safeway Stores wanted to lower its price of milk at least 1¢ a quart in the Los Angeles area, but was compelled by the State—not the Federal—authorities to raise its price by 1¢. On the same day I read your article, the local press reported that local Republican leaders had agreed on a new nine-point credo. One of the things in which they professed to believe is "a system of free, competitive enterprise."

To forbid the sale of milk below the price fixed by a State functionary is the very negation of free enterprise, unless words have lost their meaning. The Republicans who control the State of California will have to show that they can recognize what they call "socialism" in their own state before they can lead any crusade for economic freedom at the national level.

GLENN E. HOOVER
MILLS COLLEGE,
OAKLAND, CALIF.

Render Unto Caesar

Sirs:

Items in various papers have appeared on the subject of Miss Vivian Kellem's recent victory in the withholding tax fight. It is a sad and amazing thing that with all the thousands of influential big corporations and businesses in this grand country of ours, this entire battle against unconstitutional laws has been fought by this one courageous little business woman. It should make all of us, who are equally imposed upon by these laws, feel ashamed that we have not made some attempt to support her.

Many firms feel that businessmen should be reimbursed for the expense of all this tax collection. My personal views coincide with those of Miss Kellem's. I feel as she does that businessmen and private citizens should not be forced to have anything to do with collecting taxes.

J. E. COOLIDGE
LOS ANGELES, CALIF.

Here's a typical town in the Erie Area showing industry and adjacent residential area.

THE TREND to plant decentralization and the movement toward the medium-sized town has become more urgent because of the international situation. This makes the Erie Area more than ever the right place to locate a new plant.

For the Erie Railroad, because of its geographical situation, is rich in these medium-sized towns. Erie's Industrial Development Department, from its long experience in this field, knows it well.

Among the other advantages of the Erie Area is a plentiful supply of the things needed by industry. Raw materials such as coal, iron, rubber, sand, lime, salt, lumber, gas, and petroleum abound, along with agricultural produce. The area has plenty of semi-finished parts and products. On top of this, the area is the center of the nation's largest single market . . . ⅓ of the people live, work and buy here.

Industry is served by the safe, dependable Erie Railroad which connects direct with New York Harbor for export business and offers its unsurpassed facilities for import and export trade.

Our experienced personnel will be glad to discuss desirable locations with you.

IF YOU'RE INTERESTED...

Send an outline of your needs and preferred location to Mr. A. B. Johnson, Vice President, Room 502, Midland Building, Cleveland 15, Ohio. All information will be held in the strictest confidence.

Erie Railroad

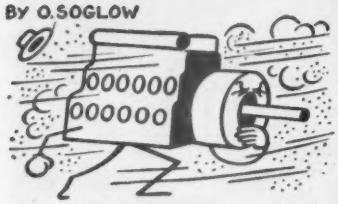
SERVING THE HEART OF INDUSTRIAL AMERICA

Mark of PROGRESS in Railroading

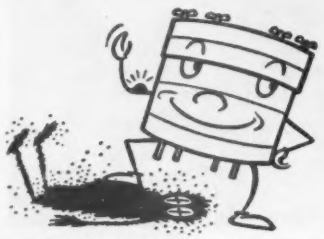
ERIE

AIR-MAZING FACTS

BY O. SOGLOW



DUST STORM THAT NEVER STOPS! Industrial engines live in a never-ending storm of dust, dirt and grit. While sucking in vast amounts of dirty air, a 1000 hp. engine with no intake protection would swallow more than 700 lbs. of dust every year.



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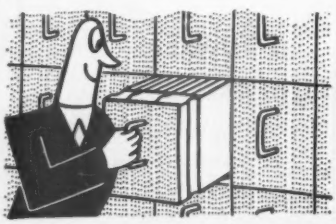

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WHETHER YOU BUILD OR USE engines, compressors, air conditioning and ventilating equipment, or *any device using air or liquids*—the chances are there is an Air-Maze filter *engineered* to serve you better. Representatives in all principal cities, or write Air-Maze Corporation, Cleveland 5, Ohio.

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COMMODITIES

CCC Is Off the Hook Again

Mobilization and defense needs are gobbling up the huge stockpiles that the government built up as part of its support program for farm commodities. So the agency is back in the black.

The Agriculture Dept.'s Commodity Credit Corp. is top contender for the title of luckiest agency in Washington. Three times it's been on the hook with what looked like unmarketable farm surpluses. And three times it's been saved.

• **What Happened**—About this time back in 1941, CCC was playing its most familiar role: proprietor of the ever-normal granary whose door swings only one way—inward.

It looked as though the corporation would wind up the year $1-billion in the red. As banker for the farm price support program, CCC was glutted with government-purchased food and fiber (except wool), taken over to keep a floor under farm prices. Inventories as of Dec. 31, 1941, ran: cotton, 7.2-million bales; corn, 357.4-million bu.; wheat, 5,184,000 bu.

But the outbreak of World War II changed the picture. The surplus nobody had wanted suddenly was in great demand. It was a priceless strategic reserve for a nation at war.

• **Three-Time Winner**—This switch in roles has occurred three times in 14 years. A drought in the 30's relieved the agency of a big surplus. And the switch in 1941 had a counterpart in June last year when the Korean war started.

Last week CCC was thinking wistfully of 1941 stockpiles—particularly of fibers. The 3.5-million-bale stock of cotton that had the Agriculture Dept. worried last spring has dwindled to nothing. There isn't any wool at all in CCC's hands. The 243.8-million bu. of wheat in government storage are sufficient until the new crop comes in. But total reserves (including what's privately held) can't compare with the 850-million bu. of grain in last year's reserve. Corn holdings totaled 384.7-million bu.—sufficient if the 1951 yield is good.

• **Little Acorn**—CCC started life back in 1933 as a Delaware-chartered corporation. In 1939 it acquired a federal charter. And today, what started as an outfit with $3-million in capitalization is capitalized at $100-million, with authority to borrow up to $6¾-billion from Reconstruction Finance Corp. Congress raised the limit by $2-billion last spring, because the agency had committed itself to over $4-billion.

• **The Constant Bull**—From the beginning, CCC has been a speculator on the bull side of the market—that's the function Congress assigned it. In the light of hindsight, you can see that a big bull speculator couldn't lose in the basic commodity markets of the last 15 years if he had Uncle Sam's bankroll and held his position long enough. But CCC's trouble was that Congress also forced it to speculate in perishables. And that's where it took a whipping.

Secretary of Agriculture Charles Brannan claims the corporation (of which he is board chairman) hasn't lost a cent over the years on any of its operations in the six basic commodities—corn, wheat, cotton, tobacco, peanuts, and rice. But losses on the perishables have wiped out all the gains and left a "net realized loss" of $736-million. CCC blames two-thirds of this on potatoes, the rest on other perishables. Beginning this year, potatoes and eggs are out from under price support.

• **What's in Storage**—Latest breakdown of the $1,995,000 tied up in stockpiles shows the bulk of the stuff is wheat, corn, linseed oil, and dried eggs.

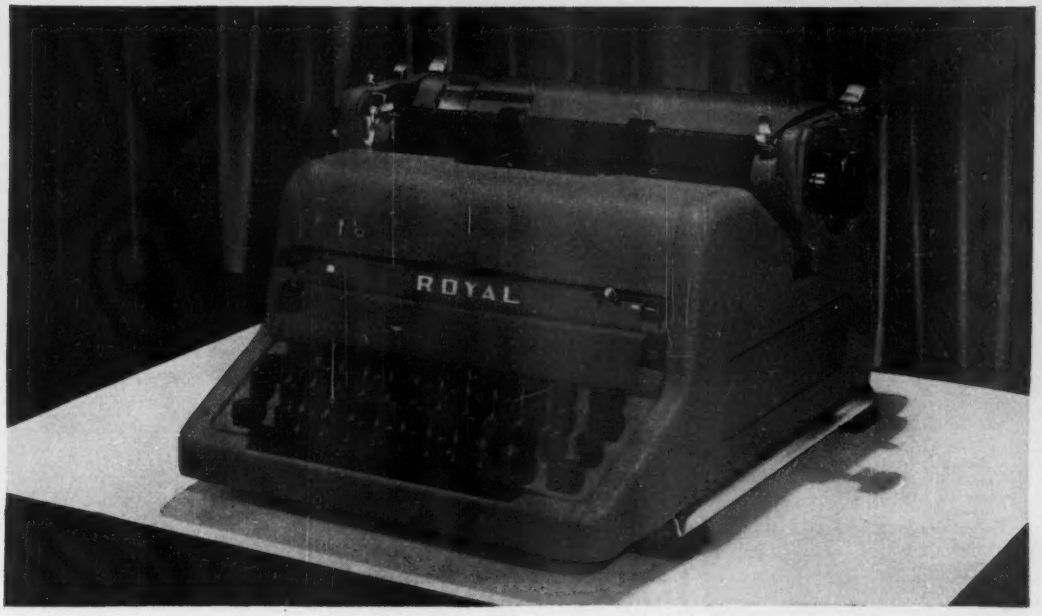
The agency is finally getting rid of some of the 70-million lb. of dried eggs. Although the Army won't buy them—it prefers its own method of treating the eggs before drying and packaging—CCC has been "selling" the eggs to Britain and Yugoslavia.

An order temporarily halting the dumping of 46-million bu. of surplus 1950 Maine potatoes came out a few weeks ago. Agriculture and the Munitions Board think they can find an end-use for the spuds.

• **Agency's Scope**—CCC does a lot more than backstop the farmer financially. It has authority to barter wheat for manganese and other strategic imports. It also buys farm commodities for foreign aid and U. S. agencies.

In World War II, CCC handled the subsidy program for farm products. If we adopt subsidies as part of mobilization, it will get the same role again.

CCC ties its support program in with the crop goals that the Dept. of Agriculture sets and with the demands of other government agencies.



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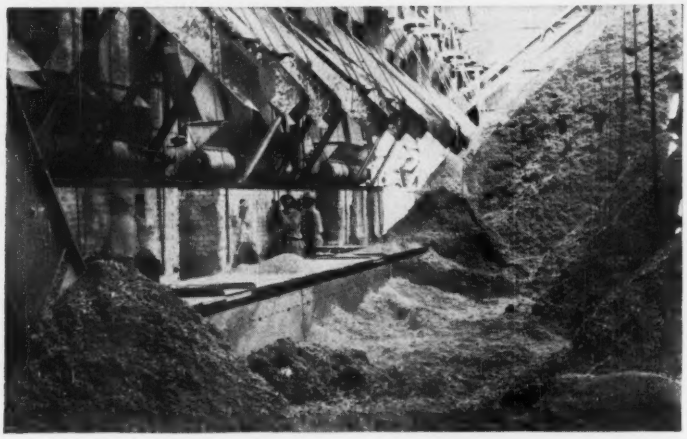

MILL FURNACES eat up bagasse as fuel. It could become feed or paper pulp.

Sugar Waste: More Uses

"This probably sounds fantastic," a sugar-cane grower said last week, "but the day is coming when sugar may be just a byproduct of cane. We'll plant and harvest the stuff primarily for its fiber, not its sugar content."

• **Building Up**—One man speaking, of course, is not the sugar industry. Hundreds of growers would think the idea fantastic. But even they would concede that the sugar byproducts business is on the upsurge—and beginning to pay off handsomely.

In the months ahead, near-record cane production and mobilization can spur it even more. Sugar mill leftovers are a present or potential source of plastics, industrial chemicals, paper, food, fuel, and structural and insulation board.

• **New Experiment**—A relatively small example of what is happening in byproducts can be seen in Hawaii. This month a $100,000 pilot plant starts test runs on making livestock feed and paper pulp from bagasse. Bagasse is

what remains of the cane stalk after the mill has squeezed out the sugar-bearing juice. Normal practice is to throw it away or burn it.

The Hawaii plant will separate the bagasse pith from its fiber. The highly absorbent pith will then be mixed with molasses and fish byproducts to make the experimental feeds.

In the paper-pulp operation, much of the emphasis will be on costs. The important question is whether it is feasible to send fiber to the mainland for paper making or possibly to open a mill in Hawaii. Scientists have long known the essential ingredients of sugar and its wastes. The answer they need now is: What products can be made economically?

• **The Worth of Waste**—In 1950 Hawaii's sugar harvest was worth about $125-million; a little more than $5-million was from byproducts. In a matter of years, though, says Dr. L. D. Baver, director of the experiment station of the Hawaiian Sugar Planters Assn., byproducts may be worth a third as much as the sugar itself.

Even more optimistic is John B. Molitor, vice-president of Louisiana's Valite Corp. Molitor is one of the people who think that sugar may become just a cane byproduct. Valite was the first company to go into large-scale production of plastics from sugar waste. Right now it is using bagasse to make phonograph records and thermosetting resins for varied industrial uses.

• **Renewing Source**—Baver, Molitor, and the scientists who are tackling the cane-waste problem have some important facts in their favor. Not the least of these is that today's chemical industry is based largely on coal and oil, which are becoming less and less abundant.

Sugar cane, however, is a source of carbon (through its carbohydrate and lignin content) that is both immense and perennially renewed. Cane, Baver says, is a more efficient gatherer of the sun's energy than any other cultivated crop. It produces more fiber per acre per year than any other plant, including trees. It has many of the same properties as corn stalks and other agricultural waste. But unlike corn, when cane is harvested practically the entire cane stalk is gathered and milled. Extra processing costs for byproducts are scaled way down.

• **Alcohol to Explosives**—Sugar byproducts are already sizable and have been growing since World War II. Even so, it is estimated that only a fraction of the available cane waste is being used. E. C. Lathrop of the U. S. Dept. of Agriculture has guessed the consumption of bagasse industrially at about 1/40 of the world's supply. Roughly, a ton of dry bagasse is produced along with every ton of sugar. These are some

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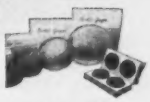
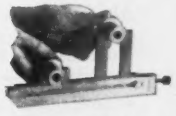


Optical Flats



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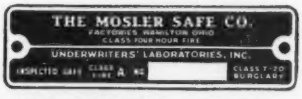

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of the more common byproducts turned out today:

• Hardboard. As early as 1920, a plant was started in Louisiana to use cane fiber to make insulation board and hardboard. Similar plants now exist almost everywhere that cane is grown. Celotex and Canec are examples.

• Alcohol. Leftover blackstrap molasses was an important source of industrial alcohol. It declined after World War II, when cheaper petroleum substitutes were developed. Now it's back.

• Acid. Aconitic acid made from sugar molasses, and livestock feed made from molasses and bagasse are marketed by Godchaux Sugar Co., Louisiana. Louisiana firms also sell their bagasse as mulch for gardens and orchards, or as litter for chicken pens.

• Yeast. Sugar byproduct plants in Cuba and Puerto Rico produce yeast, alcohol, and glycerol—and rum.

• Explosives. The pith from bagasse has been used as a filler in certain explosives.

• **Even for Nylons**—Actually, there are scores of other uses—potential and real—for cane waste. Bagasse is a source of fuel, mulch, litter, feed, plastics, lignin, pentosans, and cellulose.

From the pentosans comes furfural, a solvent in the oil industry and also a most important chemical in the production of resins, synthetic rubber, and even nylons.

Cellulose lends itself to the manufacture of paper. Alpha cellulose can go into the production of cellophane, rayon, and similar materials.

Mercury Prices Soar As Users' Spirits Slump

Skyrocketing prices of mercury—up 300% in the past six months—are causing a lot of concern among manufacturers who need quicksilver.

Spain, whose mercury mines are the richest in the world, is responsible for the increases. The government-owned mines produce about one-third of the world's supply. The country's giant mercury trust has been holding out for, and getting, higher prices ever since the outbreak of the Korean war last June.

In the past few months prices have jumped from about $45 to $200 a flask, f.o.b. Spanish ports. Prices in New York, which ran as high as $227 a flask, have dropped to $216 or less. Each flask contains 76 lbs.

Manufacturers are figuring ways and means of conserving the precious metal. One company, General Dry Batteries, Inc., is asking its 3,800 hearing-aid equipment dealers to buy back from their customers used mercury-cell hearing-aid batteries for reclamation. The company will pay up to 4¢ per battery

"Hey, Pa! Those men are here again!"

BUSINESS WEEK REPORTS TO EXECUTIVES ON:

How to Live With Controls

Any businessman's biggest business is competition.

In normal times the way to compete is to be smart—smart about markets, about production, about costs.

In abnormal times like the present, competitive standings may depend as much on directions coming from Washington—on the detailed effect of controls—as on ordinary market factors. The smart businessman will keep on being smart—smart now about controls, about what they are trying to do, how they work, what is likely to happen next.

BUSINESS WEEK has plunged into the subject of controls to meet the need of competitive businessmen. This report is the result. The facts amassed were so large that they could not be compressed into a normal-sized article. Part Two will appear next week.

IN THE 1946 elections, the Republican party came up with one of the hottest political slogans in all history. With deadly simplicity, it asked the question: "Had enough?"

• **You Bet**—Nobody had to ask, "Enough what?" The irritations and contradictions of government controls over the U. S. economy were a familiar part of everyday life. Entirely too familiar, in the opinion of the average voter. The disappearance of white shirts and red meat were national issues. To the voter, the raveling fringe on his cuffs and the fishballs on his dinnerplate were eloquent witnesses to the utter failure of the government's efforts to run his economic life for him.

When election day came, the Republicans captured Congress for the only time in 20 years. Astute political observers credited the victory largely to the widespread revolt against government intervention in the economic sys-

tem. The U.S. obviously had had enough.

• **Now Again**—But less than five years later, the government again is piling control on control as fast as it can set them up. Critical materials are under priorities; prices are frozen—it says here; wages are to be "stabilized" by some sort of government intervention in collective bargaining.

And all these are mere stopgap controls. They will last only until the government agencies can round up a big enough staff to start controlling on a grand scale.

If the public opinion polls mean anything, Washington has the full support of the voters in this second excursion into a controlled economy. If anything, the Administration has been lagging behind the rest of the country. The majority of the people have accepted, without bothering to debate it, the proposition that a major military program automatically calls for direct government regulation of the economy. They had accepted this proposition, in fact, some time before President Truman and his advisers got around to propounding it.

• **Same Difficulties**—There are some interesting political morals in all this, but they are beside the point just now. To a businessman, the important thing is that we are headed back into a controlled economy, an economy where government rules will determine what goods are made and who gets them. We are headed back even though we remember all the difficulties and all the failures of the last time.

The New Science of Controls

We will have to face some of those same difficulties in any new control system that we set up. Others we can duck if we make the right decisions as we lay out our new machinery. But in their place we will find new problems that arise out of the differences between this mobilization and the mobilization of World War II.

• **No Slack**—In one respect, it is going to be far harder to set up a system of controls now than it was in the early days of World War II. We are starting mobilization from the very top of a boom in civilian production. Few plants are idle; few workers are unemployed; production lines are chewing up critical materials as fast as they can be produced. There is no slack anywhere in the economic system.

This means that, to be effective, controls will have to be tough from the very start. And our decisions will have to be right the first time. There is no time for the cut-and-try methods that we used before, no room for trial and error. Any administrator who stands around sucking his thumb while he wonders what he should do will certainly find that the situation has already got away from him.

• **What We Learned**—On the other side of the ledger, you can set one item: experience. If we learned nothing else in World War II, we learned where some of the booby traps in a system of controls are located.

And the fact is that we learned far more than just that. In the course of some six years of experimenting, we built up a whole body of thought—a set of rules and maxims—that make up a new branch of economics. This is the economics of controls—the science of manipulating an economy.

It is still a fragmentary science, full of holes, trailing paradoxes. In this, it betrays its origins. For it did not arise as a formal intellectual discipline. It was built up bit by bit in a series of improvisations and prayerful experiments. And it is growing in the same way. As a problem comes up, a group of government experts is told off to wrestle with it. (In World War II, these groups were usually called "task forces." Today the fashion is "ad hoc committee," which means the same thing.) The answer that the group threshes out may or may not take care of the problem, but it usually adds something to our knowledge of what we can and cannot do in regulating the economy.

• **Outguessing Controls**—If you take a long look at this body of experience and thought, you can figure out in advance a good many things about the kind of control system that the U.S. will have to set up for itself in this new mobilization. You can be sure that the successful devices of World War II will be adopted as fast as possible. You can't be equally sure that the failures won't be repeated. But you can at least spot the places where the trouble is going to come. And as the new regulations stream from the Washington mimeographs, you can tell roughly just how well the new crop of administrators is doing.

I. The Fundamental Rules

In its present stage of development, the economics of controls lacks a good deal of the customary equipment of a science. Its definitions are still fuzzy. Its basic principles have not yet been codified into "laws," neatly numbered and pigeonholed. But the material is there nevertheless.

To clear out some of the shrubbery, you can start with two elementary questions.

First question: What is a control?

Answer: It is some sort of government action designed to make businessmen, consumers, or workers do something that they wouldn't otherwise do.

If anyone objects that this answer covers a wide range of peacetime government activities, he is perfectly right. Controls are not confined to wartime.

Second question: Why do we need controls during mobilization?

Answer: The civilian economy is organized to service civilian needs. It is all built around the idea that a man who produces a certain quantity of goods is entitled to acquire a corresponding quantity of stuff in one form or another. But during a big military expansion, the amounts available for civilians can't match what civilians produce—because a big slice of production has to go into munitions and into maintenance of the armed forces. This means that unless you make extraordinary arrangements you will upset the applecart. Either the Army won't get the goods it wants; or it won't get them fast enough; or the price structure will blow up under the strain.

Special controls usually serve one of these main objects:

• To get production for the military with the greatest possible speed.

• To keep civilian supply from being squeezed too small by military demand.

• To prevent inequities in distribution and monetary disturbances—to control inflation.

• **Does It Work?**—No one should take offense if all this sounds insultingly elementary. The only test we have to determine whether or not a control is effective is to ask whether it is serving the purpose for which it is intended. And the structure of controls soon becomes so intricate, the details so complex, that the objective drops out of sight. Then the control authorities knock themselves out trying to regulate

A control is some sort of government action designed to make people do something they wouldn't otherwise do.

something that isn't worth regulating in the first place.

In World War II, for instance, OPA wasted much of its energy trying to hold the price line on nonessentials like millinery and toys and games. From the standpoint of fairness to other industries this may have been justified. But as far as economics go, it never made sense.

The First Law of Controls

Toward the end of World War II, a weary official summed up his exasperation in an outburst that became something of a classic in the control agencies. "The creation of the world," he said, "was a snap compared to what we are trying to do. We have to take an established system and make it do things it never was meant to do. You start me off with a world that's 'without form and void' like the Book of Genesis says, and I could show you some controlling that would make your eyes pop."

• **Fitting In**—That despairing remark is one of the keys to the whole subject of controls. No regulatory system operates in a vacuum. It must work through existing economic machinery. The better a particular control fits into the institutional framework, the better its chances of success.

Broadly, this means that all controls have to recognize the basic principles on which the U. S. system rests—such things as the institution of private property, individual freedom, enforcement of contracts.

More narrowly, it means that the details of a successful control must dovetail as neatly as possible with established trade practices. The records and paper work should be the sort of records that the industry normally keeps. The channels of distribution and supply the regulation prescribes should be the channels that the industry ordinarily uses. A control on food retailing, for instance, will have to allow for the fact that the big chains buy direct while smaller groceries work through wholesalers. A control on textiles will have to take account of the fact that some mills are integrated all the way from yarn to garment, while others perform only a single operation, such as weaving or finishing.

If you like to state things in scientific jargon, you can now put this down:

FIRST LAW OF THE ECONOMICS OF CONTROLS: All controls have to work through the established framework of the country's economy.

You can then start putting down corollaries. The first is the most important of all:

Because all parts of the economy are related one to another, all controls will be interrelated.

The effects of any control measure will spread out through the economy as time goes on, affecting a wider and wider area. The control that you adopt at one point is going to have repercussions that will either contradict or reinforce the controls that you install at another point.

• **Accentuate the Positive**—The art of designing a control system is to minimize the conflicts and make the most of the harmonies. If you can do this, then one control will back up another: Materials controls will take some of the pressure off price controls, while price controls pave the way for wage stabilization.

It's obvious, for instance, that if you limit the number of people who are allowed to use steel, you are indirectly taking some of the pressure off the price. A thorough-going set of regulations, such as the Controlled Materials Plan of World War II, that really beats demand into line with supply automatically balances the market.

• **Eliminate the Negative**—Contrariwise, a price ceiling is more than likely to interfere with production unless it is keyed in with the controls on production. This is something that OPA discovered to its sorrow when it was dealing with textiles. All during the war manufacturers shifted out of the items with low ceilings into the products that gave a bigger margin. This change in the product mix played hob with civilian supply. It was one of the main things that caused the final collapse of price controls.

If we learned anything at all from World War II experience, we learned that controls have to be treated as a package—that you can't follow one policy in the regulation of materials, another in the regulation of prices, and still another—or none at all—in the regulation of wages. All controls have to be wrapped up together in a single system. And they have to be judged in terms of their total effects, not according to their temporary usefulness.

• **Cross Purposes**—The U. S. habit of splitting controls up and assigning them to different agencies makes it hard to get this kind of coordination. Most of our outstanding failures last time trace to this basic mistake. The materials controls of the War Production Board didn't back up the price controls of OPA; most of the time there was a running feud between the two agencies. And in the final disastrous year of OPA, the price regulators were trying to carry on operations without materials controls of any sort whatever to strengthen their hands.

Controlling Incentive System

The trick of fitting controls into the established framework is particularly hard in this country because the U. S. is the world's leading example of a self-regulating economy. Even with all the government intervention that we have, the basic characteristic of our system still is that most of the decisions producers and consumers make are determined by a more or less automatic system of incentives.

• **Prices Allocate Materials**—In ordinary times, we rely on the interaction of prices and wages to determine what shall be produced and how the resources of the country shall be allocated. If consumers want more mousetraps they bid up the price on the available supply. That gives the mousetrap manufacturers grand ideas, and they step up production. Thus more of the country's resources of steel, wood, and power go into mousetraps—which is what the consumer wants.

• **Wages Allocate Labor**—Wages perform much the same function in the

allocation of manpower. An industry that wants to recruit workers has to pay high wages to attract new men. Thus wage differentials—over a period of time—shift the labor force out of the declining industries and into the growing industries. It's no accident that automobile manufacture—the big growth industry of the first half of the twentieth century—has always been a high-paying industry.

The constant interplay of prices and wages is a more or less automatic machine for getting things produced and distributed. It is not a machine that runs like a Swiss watch. Its adjustments aren't precise; and often it takes an impossibly long time to make a change. But it has one enormous advantage: In ordinary times, it requires a minimum of conscious supervision. No central agency has to dictate the millions of decisions involved in producing goods for 150-million customers and getting them parceled out to the final users.

• What Makes the Wheels Go—The driving power in this kind of economy is the power of incentives. Businessmen manufacture goods because they see a chance to make a profit. Workers move to growing industries or put in overtime because they see a chance to boost their incomes. Consumers buy plentiful merchandise because they see a chance to get a bargain.

When you bring a system of controls into this Garden of Eden, you introduce an entirely different force: compulsion.

You no longer let the public bid for mousetraps and the mousetrap manufacturers bid for steel. Instead, you tell the manufacturers how much steel they can have; and if that won't make enough mousetraps to satisfy the public demand, you ration mousetraps. Thus you force a new allocation of materials and manpower—in a pattern that differs fundamentally from the pattern the machine would work out if left to itself.

Controls are necessary in a mobilization economy for one simple reason: Consumers in general are going to be worse off under mobilization; and there is no incentive you can offer a man to make him worsen his position voluntarily.

But controls or no controls, the price and wage structure still exerts its pull on consumers and producers. Where this pull reinforces and strengthens the control system, you can expect controls to work well. Where it contradicts the controls, you can expect trouble.

The Kinds of Controls

One way to classify controls is to ask whether they work through the traditional wage and price machinery or cut across it. On this basis, you can divide controls into two groups: direct and indirect.

Direct controls shortcut the workings of the wage and price system.

Either they attempt to dictate a different allocation of resources and products from what the system wants, or they attempt to speed up the allocation it is arranging in its own leisurely way. Direct controls in turn break down into groups:

• Controls on the three basic factors of production: (1) tools, (2) materials (including fuel or power), (3) men.

• Controls on the two basic exchange relationships: (1) prices, (2) wages.

• Controls on consumption. You can see now where the secondary effects come in and why the kickback from a particular control measure may turn out to be more important than its first impact.

A production control or a consumption control starts wheels turning that ordinarily would alter wages and prices.

If you channel steel into military production and cut civilian output of automobiles and refrigerators, then you create a shortage. In this case, the automatic response would be a rise in prices. The rise is useless; it can't bring back the steel you've taken away, and you wouldn't want it to if it could. So you restrain that rise—by freezing prices or by rationing automobiles and refrigerators. In the latter case, you are deliberately utilizing the price effect of a consumption control.

Price ceilings set forces in motion that ordinarily would alter the pattern of production.

Say that you freeze prices on textile products at such levels that the producer makes a modest profit on white shirts and a bonanza on sport shirts. Then try to find white shirts. Elaborate controls on cloth all the way from yarn to garment may keep up a minimum supply, but it will be an uphill fight. The incentive system will be working against you all the way.

Indirect controls have the great advantage of working through the price system.

Things like credit control, taxes, and special inducements to savings shrink the total pool of consumer purchasing power—and do it without trying to make water run uphill.

Theoretically, indirect controls could do the whole job—or nearly the whole job—and do it impersonally and simply. But when you are operating on the scale that a big mobilization requires, this very impersonality is a disadvantage:

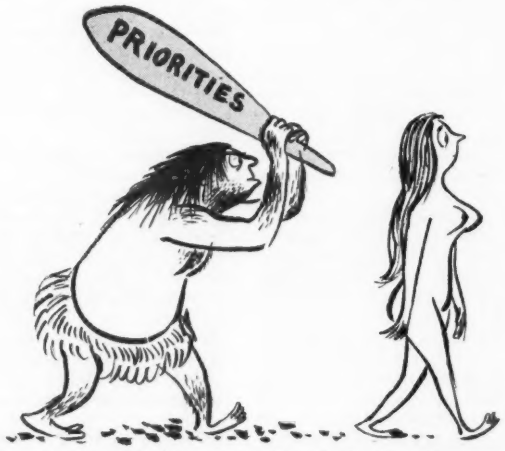
A tax bill high enough to soak up all the excess purchasing power generated by a big military program would be intolerably hard on some taxpayers.

Commercial credit control tough enough to stop the expansion in the money supply would put some companies out of business through no fault of their own.

Tight control of consumer credit would keep the lower-income families out of the market for household appliances entirely; but these are the families that need the new equipment worst.

Add up all the considerations; call the roll of all the measures you can take—and you come back to the fact that any workable control system has to combine all kinds of controls and use them to reinforce one another. If you want to write it down, you can put it this way:

SECOND LAW OF THE ECONOMICS OF CONTROLS: Any successful control system must combine indirect controls with direct regulation of production, prices, and wages. As much as possible it must work through the price system, not against it.



A priority is the right to get something ahead of somebody else.

II. Producing What You Want

When World War II was over, a good many Washington officials summed up their experience something like this: "We may not have learned much else, but we sure learned how to control production."

Actually, that is somewhat more than the truth. A more accurate version would be: "We learned how to control hard-goods production at a time when military demand is soaking up all the metals that are available."

• **Strengths and Weaknesses**—The distinction is important. In wide areas, the control measures devised in World War II never worked satisfactorily—such areas as textiles and construction. Controls were never applied, except on a relatively small scale, to the problems of consumer supply. And up to the very last they owed at least part of their success to luck rather than foresight.

Nevertheless, control of materials—and through materials, control of production—was far and away the most successful part of the World War II system. The patterns we finally worked out undoubtedly are the patterns for the new mobilization—not only because they succeeded once but because they are patterns that make sense.

Control the Bottleneck

In the process of production, three elements—facilities, manpower, and materials—are combined to turn out a product. In a time of all-out production one of these three is going to be the thing that sets the limit on how much of any given product you can produce. Even if you have the capacity, you can't produce without materials. And you can't work the materials if you don't have the manpower.

The short element—whether it is tools, materials, or men—is the key to control. If you have firm control of it, you can pretty well determine the production of the product.

Throughout most of World War II, the limiting factor for the great majority of products was the supply of materials. In the very early stages, facilities were the bottleneck. And toward the end, manpower was rapidly becoming the real limiting factor. But as early as the end of 1942, conversion and expansion of industrial plant had outstripped material supply. And by 1944 and 1945 when the manpower problem came to a head the war was almost over.

• **Materials and Facilities**—Materials controls, therefore, were the production controls of World War II.

You have to remember, though, that underlying the whole system of controls on materials was a far-reaching set of controls on facilities. The government had full power to order any manufacturer to produce military goods. If he refused, it could seize his plant. And in a couple of cases, the Army or Navy went through with the seizure to prove that it could make its orders stick.

The government also had full power to construct any facilities that it needed, and it used this power freely. The Army built arsenals; the Navy built shipyards. And Defense Plant Corp., a subsidiary of RFC, built industrial plants. The government came out of the war owning the entire synthetic rubber industry, much of the aircraft industry, and a large slice of capacity in other lines, including a huge collection of machine tools.

• **The Problem**—In one sense, control of facilities is easy. An industrial plant is a large tangible object. Its owner can't stick it under the counter or sell it out the back door. All that the control authorities need to put any plant into defense work is adequate legal power.

But in a more subtle sense, control of facilities is one of the toughest problems of all. You can make a man manufacture military goods, and you can tell whether he is obeying because you can keep track of his deliveries. But how do you make him manufacture essential civilian goods? And how do you keep him from switching his facilities into nonessential lines? You can't police every factory in the country.

• **The Answer**—This is where you forget about facilities controls and see what you can do with controls on the other two elements of production—materials and manpower. If you can get a firm grip on either of those, you automatically control the facilities, too.

Who Gets the Stuff

Almost from the beginning of the old Defense Program in 1940, materials were the key to production. And in the early stages of the new mobilization they are playing the same role.

• **Priorities**—The first step in a system of materials controls is to put on priorities. A priority is just what its name implies—the right to get something ahead of somebody else.

The services started using priority ratings on their orders in August, 1940. At first the priority system worked well enough. But as more and more military orders went out, more and more contractors started crowding into the head of the line for materials. Before long the priority demand alone began to run ahead of supply; the priority holders discovered that they were simply cutting one another's throats. Then the services began to issue new overriding priorities, and these in turn inflated into meaningless paper. The military program degenerated into a pointless scuffle for scarce materials. And in the scramble, large quantities of scarce materials got shunted into wasteful uses—into coverting plants that later had to be changed back to their original product, into producing large stocks of one component while another component of the same weapon ran short for lack of metal.

• **Trimming to Size**—One principle emerged plainly from all the confusion.

The total military and essential-civilian programs have to be tailored to the supply of materials.

Overordering is just as bad as underordering. Any workable system must include machinery for sweating down the total of approved programs until it makes sense in the light of material supply. The only recorded incident in which this principle did not hold true is the miracle of the loaves and the fishes; and it is remembered precisely because it is an exception to the rule.

Simple as the lesson was, it took a long time to learn. All through 1941 and 1942, a rapidly rotating group of control authorities struggled with one makeshift after another. It wasn't until 1943 that they finally got a workable plan in operation.

The Plan That Worked

The new program was the famous Controlled Materials Plan (CMP).

Stop and take a look at it. It occupies about the same position in the history of controls that the Wright brothers' plane occupies in the history of aviation. It was the first machine capable of sustained flight under its own power. In general, CMP was the most satisfactory of all the control devices that we worked out during World War II.

To most businessmen, CMP was a complex system of forms to fill out—and an arbitrary notice from the government or from their prime contractor telling them that they could have only so much steel in the coming quarter. But that was only the mechanics. From a control standpoint, the principle was what counted.

Essentially, CMP was an allocation procedure. The CMP machinery of World War II was designed to add up the total requirements in a particular three-month period for three critical metals—steel, copper, and aluminum—adjust these requirements so that they equaled the total supply, and then

parcel out the supply to the manufacturers.

• **Time Factor**—Merely as an allocation system, CMP and its predecessor, the Production Requirements Plan, represented an important advance in our system of controls. But CMP did something else. It made allocations take account of the time factor involved in production instead of working in purely static terms.

The old priorities system gave a government contractor a rating, which he could use immediately, for all the materials he would need under his contract. CMP gave him a production schedule and an allocation of materials at particular times, quarter by quarter, to cover that schedule. And the size of that allocation depended on the anticipated supplies of the scarce metals that would become available in the quarter. Thus, supply and consumption were kept balanced over time, with WPB striking a new balance for each quarter.

But because an industrial economy is an integrated machine, the effects of CMP went far beyond the mere control of three scarce metals. When they set up CMP, the control authorities cashed in on what might be called:

THE PRINCIPLE OF ECONOMY OF CONTROLS: If you control a few crucial things directly and in great detail, you thereby control a large number of other things indirectly and in somewhat less detail.

The inventors of CMP chose their materials carefully to go a long way toward shaping the whole pattern of production just by manipulating the pattern of allocations.

• **Key Materials**—In modern industry there are a few materials that are the least common denominator of all production, or a large part of all production. This is particularly true when the economy falls into a wartime pattern where the big demand is for hard goods.

To manufacture a tank, for instance, you need a bewildering number of materials—steel, copper, zinc, aluminum, rubber, lead, and a long list of other things. But steel is what counts above everything else. Tell a tank manufacturer how much steel he can have, and he will tell you how many tanks he can make. Then by simple arithmetic he can tell you how much copper, lead, zinc, and everything else he will use.

In electronics equipment, the copper allocation calls the tune. In aircraft production, aluminum is what counts. Even when you get outside of hard goods—into chemicals, say—the quantities of steel and copper available for repairs, maintenance, and packaging indirectly set limits on the pace of production.

CMP, then, is the answer to the controller's prayer. It is the minimum regulation with the maximum effect, the magical application of the principle of leverage.

• **Accounting System**—CMP, in practice, becomes an elaborate accounting system, in which two streams of paper flow in opposite directions. One stream consists of bills of requirements—estimates of the amount of critical materials that will be needed—flowing up from subcontractors to prime contractors and from them to the government procurement agencies. The other stream consists of allocations of critical materials, flowing down from the procurement agencies to the prime contractors and through them to the subcontractors.

The critical spot in the system is the place where the two streams meet—the point where the total bill of requirements is matched up with the available supply of controlled materials. In the World War II system, the requirements committee of the War Production Board handled this job.

The task of the requirements committee was to divide up the pool of scarce materials among the various interests that had a claim on them. Each of the military services came into the requirements committee as a claimant agency for its contractors. In addition, various other agencies (such as the Petroleum Administration for War) acted as claimant agencies for some branch of industry.

• **Splitting the Pot**—In the requirements committee each claimant agency got a firm assignment of a specific amount of critical materials, which it in turn would divide up among its contractors or industries. The total of these allocations—theoretically at least—had to match up with the total of available supplies. The distribution of the allocations among the various claimant agencies determined the pattern of production.

The beauty of CMP was that it stopped the scuffle for materials and at the same time brought practically all hard-goods production under effective control. It also achieved a measure of production scheduling without requiring elaborate scheduling devices. Since allotments were made quarterly, production was determined three months in advance. And since prime contractors claimed for their subs, the bills of requirements that they passed up had to be based on a set of production schedules that extended all the way down to basic components.

• **Practical Modifications**—From the beginning, some major modifications had to be made to put the pure theory of CMP into practice.

For one thing, it was obviously impossible in practice to pass all claims up the ladder from subcontractor to prime contractor. There are too many vital items that are used in fairly small quantities at all levels of production—nuts and bolts, for instance.

To take care of this, the original CMP set up a list of products known as the B List. Manufacturers of products on the B List—including such things as batteries, bearings, communication equipment, pumps, switchgear—did not pass their claims up through their customers. Instead they filed their bills of requirements directly with the appropriate industry divisions of WPB.

Creation of the B List spoiled some of the theoretical perfection of CMP, but it was the kind of practical adaptation that makes a good plan workable.

• **Other Machinery**—There was one other major concession that theory

CMP is minimum regulation with maximum effect.

made to practice. WPB never tried to make CMP its only control device. Instead, it backed up CMP and extended CMP with a multitude of other regulations and controls.

In addition to the CMP machinery, there was a scheduling system for critical components—bearings, valves, crankshafts, and the like. CMP was set up in terms of end products. It provided only indirect control over the flow of components that went to make up those products. The scheduling orders were supposed to remedy this deficiency by establishing detailed supervision of the components manufacturers so that their output would always tie in with the programs for end products. The tank program, for example, was to be translated in terms of motors and then motor production was to be scheduled so that it was geared to the delivery schedule for tanks.

As an idea this was fine. In practice it involved more paper work than WPB could handle. Hence, full-dress scheduling was used only in emergencies, and most of the components were subject to nothing more than general supervision from WPB. If the problem arises another time, high-speed computing machinery might make detailed scheduling possible.

Most of remaining orders fell into one of two classes. Limitation orders (L orders) prohibited or restricted the manufacture of specified items. It was an L order, for instance, that first set quotas for and then closed down the automobile industry in the winter of 1941-42.

Conservation orders (M orders) prohibited or restricted the use of specified materials to manufacture specified products. The copper M order, for example, prohibited the use of copper in ashtrays and knick-knacks.

• **Holdovers**—Most of the L and M orders dated back to the days before CMP was introduced. They represented holdovers from the time when the production authorities were tackling the problem one material at a time. They were retained after CMP went into operation for two reasons:

The least-common-denominator idea behind CMP never worked out 100% in practice. Controlling the three key metals did give production authorities great power over production generally—but not always so tight a grip as they needed. Substitution of other materials, fluctuations in inventories, and changes in the product mix put too much play into the system. Hence, CMP needed to be reinforced in spots by specific orders.

This was particularly true outside the hard-goods industries. In textiles, CMP scarcely made itself felt at all. Textile manufacturers could get along indefinitely without steel, copper, or aluminum.

The designers of CMP had intended originally to extend it to other materials in addition to steel, copper, and aluminum. This was never done. The amount of paper work and the complications that came up when CMP actually began operating scotched the idea of extending the list of controlled materials. Most men in WPB felt that they had their hands full as it was.

• **Narrower Scope**—The decision was probably wise. Nothing would have killed CMP quicker than stretching it to cover more materials than WPB was prepared to handle. By definition, the kind of detailed supervision that CMP demands can be applied to only a limited list of materials.

But the failure to widen the scope of CMP by adding other controlled materials left large areas of industry outside its reach. These had to be reached through the L and M orders and through special plans.

Where CMP Failed

It's important to remember these gaps when you try to size up the role that a revived CMP will play in the new mobilization. When World War II ended, there still were problems in production control that CMP had never solved. And some of these problems are going to make trouble when the new control system goes into effect.

• **Lumber Problem**—Toward the end of World War II, lumber became more critical even than some of the metals. Rather than upset its established machinery, WPB set up what amounted to a pocket-edition CMP for lumber alone. This eventually worked well. If necessary, lumber controls could probably be built directly into the CMP machinery this time.

• **Textile Problem**—Cotton textiles are a horse of another color. World War II controls on the industry never really worked. By and large the military agencies got what they wanted, but essential civilian users got short measured.

One reason for this failure was the simple fact that WPB never used CMP techniques in textiles. To the end of the war it struggled along with a patchwork of limitation orders and set-asides requiring mills to hold certain amounts of cloth for priority uses.

This argument can also be reversed: One reason CMP wasn't applied to textiles was that textiles are not well adapted to the vertical distribution and balancing of requirements that make

Controls were effective as far as wood from the big operators was concerned; but much of the little mill's output leaked past the control machinery.

CMP work. The industry is scattered: it draws on many sources for its materials; and it turns out a bewildering variety of products that move through a bewildering network of channels toward the final users.

All this brings up another vital point: **Any control system built along the lines of CMP must select as controlled materials things that are susceptible to centralized regulation.**

Either the number of producers must be limited, or the number of markets in which the material is sold must be limited. Somewhere on the way from producer to processor all or most of the material must necessarily flow through a channel narrow enough for the control agency to get its hands around it.

Steel, copper, and aluminum fit these specifications nicely. In lumber, the problem gets far more complex. The big timber companies account for the greater part of total production, but little one-man sawmills make up a significant percentage. Controls were successful as far as the wood from the big operators was concerned; but much of the output of the little mills leaked past the control machinery.

In cotton, the difficulties would be even greater—unless the government could establish a central buying agency to take all the crop as it came off the farms. And even then you could expect a certain amount of bootlegging.

To draw workers into the high-priority industries we relied on the draft and wages.

III. On Manpower—No Rules

The big production problems in World War II were materials problems. By the time manpower emerged as the limiting factor on production, the end of the war was in sight. Direct controls on manpower never had to get beyond the rudimentary stage.

This leisurely approach to manpower problems was possible because we started mobilization with something like 8-million workers unemployed. This pool of available labor wasn't completely soaked up until some time in 1943. Meanwhile, new workers were coming into the labor force, drawn by high wages and patriotic appeals. From 1940 to 1945 we put some 12-million men and women into uniform, but the entrance of new workers kept the civilian labor force from shrinking drastically. In 1945 the civilian work force was only about 1.5-million less than it had been in 1940. And employment was some 6-million higher because the unemployed had been put to work.

To nudge workers out of nonessential lines we counted mainly on materials allocations.

These cut down the amount of work in nonessential industry and indirectly released manpower.

To draw workers into the high priority industries we relied on the draft and the wage structure.

The system of occupational deferments automatically steered young men into war industry. High wages pulled in the older workers and workers who were shifting out of nonessential lines.

• **Controlled Referral**—Late in 1942 the War Manpower Commission began setting up local and regional labor stabilization plans. Under these plans employers in essential industries undertook not to hire workers from other essential lines without a certificate of availability from the previous employer or from the United States Employment Service. The main object was to prevent labor pirating.

Toward the end of the war the area stabilization plans developed into a system of controlled referrals. Employers had to hire through USES or clear their hirings with it. USES offices tried to steer workers seeking jobs into the industries that needed them most. But usually there was little pressure on the worker to take the job he was referred to.

No Precedents Here

This means that we begin the new mobilization with scant experience and no precedents for real manpower controls. Just what we work out now is anybody's guess.

If mobilization stays on a partial basis, and if the Army doesn't build up to more than 5-million men, the chances are that manpower controls will be no tougher than they were in World War II. We have no pool of unemployed this time; but we can draw extra workers into the labor force. And the drop in civilian goods production probably will be substantial when controls on materials get into operation.

• **The Real Thing**—If we go into an all-out mobilization, the lackadaisical manpower controls of World War II obviously won't be enough. In that case, we probably will have some form of universal service. Workers will be forced to shift into defense industries whether they like it or not.

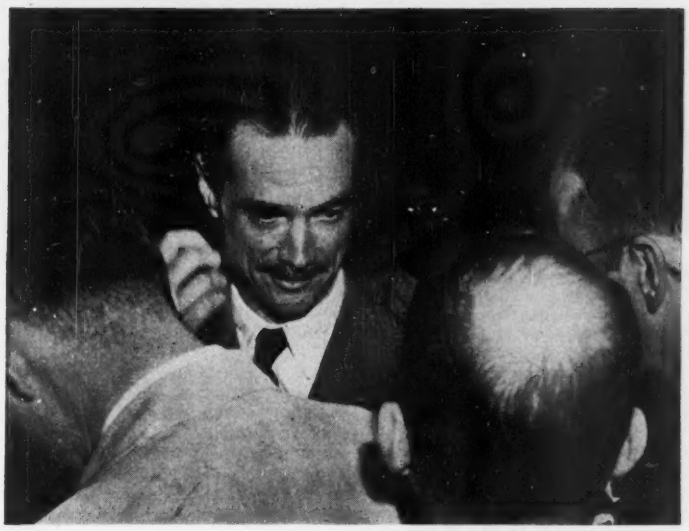
You can take it for granted, though, that this would be a desperation measure. Before we tried it, we would do everything possible with manipulation of wages and indirect controls. The political importance of labor makes that certain. And in any case, the difference in productivity between willing and unwilling labor makes compulsory manpower controls a dubious experiment at best.

• **Price**—You can also take it for granted that the labor unions would not consent to any compulsory program without asking a price. The price probably would be a strong voice—perhaps the controlling voice—in the administration of the program. In all probability, labor would hold out for a voice in production controls, too, on the grounds that production controls and manpower controls have to mesh to be effective.

If we do try tight labor controls, a certain amount of violation is inevitable. You can't police every factory and store in the country, and the tradition that every man has a right to work where he pleases will die hard. Hence, compulsory manpower controls will produce a new kind of black market—a black market in men.

The second instalment of this Report to Executives, covering price and wage controls, rationing, and subsidies, will appear next week. Reprints of the two sections combined will be available about three weeks later.

FINANCE



HOWARD HUGHES is the center of a scramble for his holdings in RKO Theatres.

Who'll Get Hughes' Stock?

Wall Street, Broadway, and Hollywood are all trying to horn in on the breakup of Hughes' controlling interest in the old Radio-Keith-Orpheum. There are several possible deals.

Howard Hughes, the playboy businessman, is the center of a lot of maneuvering in Wall Street, Broadway, and Hollywood this week. The dickering mainly involves Hughes' stock holdings in RKO Theatres Corp., one of the two companies into which Radio-Keith-Orpheum Corp. was split at the end of 1950.

So it's not surprising that there has been a burst of market activity in the stock of both RKO companies. Opening last week at $4\frac{3}{8}$, RKO Theatres has been one of the top stocks traded on the New York Stock Exchange, and was around $5 during the early part of this week. During the same period, RKO Pictures moved from $3\frac{7}{8}$ up to approximately $4\frac{1}{8}$.

• **Splitup Decree**—Hughes owns some 930,000 shares of both RKO Theatres Corp. and RKO Pictures Corp. That's about 24% of the outstanding stock of each company—enough for control. He bought his original RKO stock in 1948 from Floyd Odlum's Atlas Corp., reportedly at about $9 a share. Under the terms of the antitrust decree that split RKO into a production company and a theater company (BW—Nov.13 '48,p80), Howard Hughes must sell his stock in one of the new corporations.

Hughes decided to get out of the RKO Theatres stock months ago. But he hasn't been in any hurry. Through most of last year Hughes and his lieutenant, Noah Dietrich, talked things over with Harry Brandt, controlling stockholder of Trans-Lux Corp. Among other things, Trans-Lux operates a theater chain in New York and other eastern cities. Trans-Lux is supposed to have offered $7 a share for Hughes' theater stock. The deal fell through when Trans-Lux wasn't able to put up enough of the purchase price in cash.

So, when RKO split, the special federal court that has been handling the movie antitrust cases appointed the Irving Trust Co., of New York, as trustee for Hughes' theater stock. He can't vote the shares any more, though he'll get dividends, if any.

• **Interest Spreads**—Now some new would-be purchasers have shown their heads. Some of the new propositions involve Hughes' production-company stock, as well as his theater stock, although obviously no purchaser could buy both. Hughes' negotiator, Noah Dietrich, says that none of these propositions has got to the point of a

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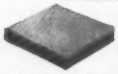

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MOVIE COMPANIES: POSTWAR PROFITS COMPARED

Net Profits in Fiscal Years (in 000s)

	1946	1947	1948	1949	1950	Interim Earnings 1949	Interim Earnings 1950
Columbia	$3,450	$3,707	$565	$1,008	$1,981	.....	.....
Loew's	18,692	11,626	5,310	6,745	7,854	.....	.....
Paramount	39,199	28,011	22,569	20,836	.....	NA	$14,268*
RKO	12,188	5,086	504	1,711	.....	$1,919**	609**
Republic	1,098	570	D350	487	.....	730†	831†
20th Cent.	22,620	14,004	12,509	12,415	.....	8,200**	6,596**
Warner	19,425	22,095	11,837	10,467	10,272	.....	.....

*Combined earnings of Paramount Pictures Corp. and United Paramount Theatres, Inc., for nine months ending Sept.30.
**39 weeks ending about Sept. 30.
†39 weeks ended about July 30.
D—deficit.
NA—comparable figures not available.

definite offer. Hughes' attitude is that he would be glad to listen to a reasonable proposition. But so far none has been forthcoming.

The major group definitely known to be dickering with Hughes is headed by David J. Greene, an investment counsel and member of the New York Stock Exchange. He and clients whose proxies he controls own about 300,000 shares in both companies. That's about 8% of the stock. Greene thinks he also could probably count on the support of the owners of about 1.3-million to 1.5-million shares of the theater stock, many of whom also hold stock in RKO Pictures.

Greene wants to work out some form of stock swap, whereby his group would trade Hughes their production-company shares for his controlling block of theater-company stock on an equitable basis, perhaps with some cash thrown in.

• **Discord**—At this point, however, Greene and some of his allies part company. Greene would like to go on operating the theater company. Others in his coalition want to sell off the theaters. One of the would-be liquidators is Lester Greenwald, partner of the New York brokerage firm of B. L. Taylor & Co.

Although the book value of RKO Theatres was only $5.12 a share on the last published balance sheet, some statisticians figure that stockholders might get as much as $10 or $12 a share if they liquidated the company. RKO Theatres owns some well-placed theaters outright, has leaseholds on others.

That depends, of course, on box-office receipts. The industry has not been doing well since the war. Since the start of the year, however, movie attendance has been picking up. If this trend continues during the mobilization period, stockholders of RKO Theatres might do pretty well out of a liquidation.

There are two other big "ifs" in the stock-swap plan. Does Hughes want to swap, and on what basis? He might well prefer an all-cash deal. Hughes Tool Co. is supposed to be in line for a $200-million guided-missiles order and will need a new plant to handle it (BW—Feb.10'51,p28). The cash might help.

• **Ways and Means**—The Greene group has several ways of encouraging Hughes to swap or sell. For one thing, they could start a bang-up proxy fight with Hughes for control of his picture company. They may command more shares than he does. Once in control, they could liquidate RKO Pictures. They might be able to sell RKO's 40-year-old stockpile of films to TV for as much as $10-million. Greene's ally, Lester Greenwald, has said he was considering this, either by proxy fight or purchase.

What may hold the Greene group back is the fact Hughes could probably sell both his theater and production-company shares to somebody else if they started trouble. But they have a good case and might easily attract support from other stockholders.

• **Earnings Down**—And RKO hasn't bloomed under the Hughes regime. None of the movie companies has been doing well in the past few years, but RKO's performance has been one of the worst (table, above). Though RKO earnings were already slipping fast before Hughes took over early in 1948, they certainly haven't done well since.

• **Management Factor**—The Greene group could make such points as these:

• Since last summer Hughes has cut down on releases of new feature pictures. RKO generally has released only one feature a month since July,

compared to two or three monthly releases by other major producers. Trade observers say that RKO still has quite an array of completed films on the shelf. But its sales organization doesn't have enough to keep busy. Hughes may have some good reason for holding back his films. But many people in the film industry think his action is simply caprice.

• It's common talk around RKO Pictures that president Ned E. Depinet, who has been with the company many years, has been ignored by Hughes in setting company policy.

• Though Hughes holds the title of production chief at RKO, there's considerable question around Hollywood as to whether he's ever been inside the studio. Many RKO employees believe he has never been through the gate. Others say he comes, but always at 2 a.m. or 3 a.m. In any case, he's seldom there during normal working hours. He maintains his own offices on the Goldwyn lot. RKO is run by remote control from there.

• **Enter Justice**—The Greene group has already put pressure on Hughes from another direction. They've discussed their situation with the Dept. of Justice. Last month Justice asked the special federal court to order Hughes to sell his theater stock within a year. If he doesn't, Justice wants the court to have the trustee sell the shares within two years. The court will rule on this soon.

Furthermore, the Greene group has complained to the Dept. of Justice that the directors of the new theater company consist entirely of Hughes' appointees. They point out that the by-laws have been revised, so that there won't be a stockholders' meeting till next December, instead of the customary spring meeting. That means the directors can't be removed by stockholders till then.

• **Extras**—Several other Wall Street houses may try to horn in on the show. One of them: Blair, Rollins & Co., Inc., investment banking firm of New York and San Francisco.

Middleman in this possible deal is Sam Dembow, Jr., a former Paramount executive who is now a sort of professional negotiator in movie-company deals. He acted as middleman in last year's discussions between Hughes and Harry Brandt of Trans-Lux Corp.

Although Blair, Rollins may be acting for a client, the firm does specialize in taking over shaky companies and putting in its own management. Trade gossip says the manager would be Harry Brandt.

• **Strategy**—Up to early this week, however, Howard Hughes had said nothing. If he lets the bidders do all the talking long enough, he might run up the sales price of his shares.

Hopalong Cashidy

Movie-video cowpoke lends his name to persuading small fry to start savings accounts. And banks like the idea.

Seems like there just aren't enough cattle rustlers to keep Hopalong Cassidy busy. So the cowpoke hero of a million youngsters now spends his spare time in a new kind of roundup: He's roping in savings bank customers.

The fiscal corral is Hopalong Cassidy's Savings Clubs. Right now, the small fry seem to be flocking to the tellers' wickets as fast as they make for the great man's movie and video shows.

• **Promoter**—Hoppy's thrift gadget is handled by Bar 20, Inc., a Chicago advertising outfit that promotes his activities when he isn't home on the entertainment range. Here's how it works:

Any devout follower of Hoppy can gallop up to one of the fast-increasing number of banks that have signed up with Bar 20. There our worshipper announces he wants in and planks down the required $2.

Usually, the youngster has an easy time finding the right bank. Some have fenced in their Hoppy-account departments, making a handy corral. Others have cut-outs of Hoppy himself hanging over the incoming greenback chute. And it's customary to set up special low-slung counters, just high enough for the junior accumulator to slap down his cash in comfort.

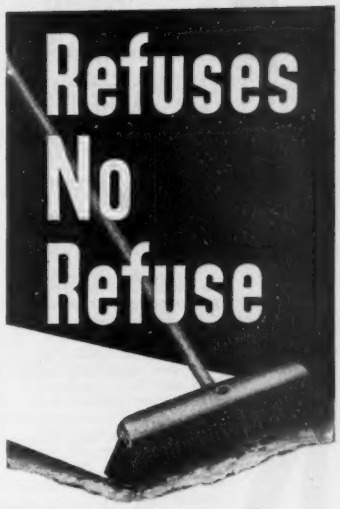
• **Rodeo Member**—The $2 deposit makes you a member of Hoppy's Rodeo. As such, you get a savings record book and chart, an official membership card signed by Hopalong, a bust of the hero designed for use as a home bank, a savings rodeo badge, a cowboy mail pouch, and—surprise—an autographed picture of Hoppy.

The same $2 gives you a "tenderfoot" rating in Hoppy's Rodeo. And Hoppy promises that as your savings grow so will your rodeo rating.

Once you've saved up $10 you automatically become a "wrangler." When you hit the $25 figure, you're a "bull dogger," a "bronc buster" at $50, a "trail boss" at $125, a "strawboss" at $250. And best of all, when you have tucked away $500, you become a "Bar 20 foreman," a rating equal to Hoppy's.

• **Modest Cut**—Obviously, Hoppy ain't adoin' all this fer nothin'. Banks taking on the promotion deal pay Bar 20 $1 for the materials handed out to new depositors. Bar 20 also collects 50¢ for each account and profits from the sale of other promotion material.

Hoppy's own cut, however, is modest. Hopalong Cassidy Enterprises, in which



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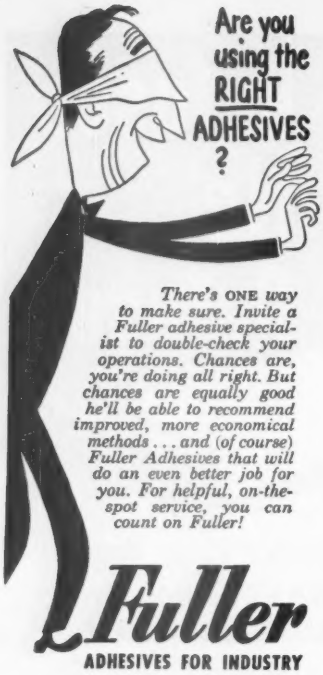

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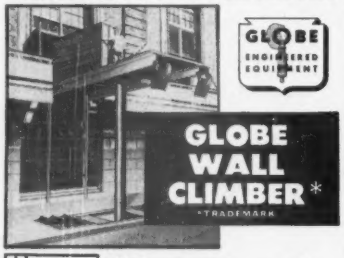

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he shares ownership with the theatrical magazine Billboard and others, collects only 5¢ per account from Bar 20.

According to Bar 20, Hoppy's savings plan has been taken on to date by well over 100 commercial and savings banks and savings and loan associations, is now operating in over 200 cities. Los Angeles' billion-dollar Security-First National is one user and is said to be utilizing the gimmick in all its many branches. Others to sign up are Akron's First National and the Hartford Society of Savings.

Those using Hoppy's thrift idea regard it primarily as institutional promotion rather than a rich-earnings gimmick. For one thing, the banks figure that when Hoppy's followers grow up they may remain as customers.

Wall Street's Golden Year

Merrill Lynch's 1950 report shows just how good a year it was for other brokers, too. And it shows the "supermarket" has nearly doubled its 1949 business, quintupled operating profits.

Once a year, and only once, Wall Street and the public gets a yardstick on how the brokerage business has been doing. That happens when the fabulous firm of Merrill, Lynch, Pierce, Fenner & Beane issues its annual report. No other brokerage house sees fit to bare its books.

• **Supermarket**—The report of Wall Street's biggest house is anxiously awaited for more reasons than its general implication: It also tells the waiting world how Charles E. Merrill's idea of running a securities supermarket is panning out.

This year the answer is an echoing "wonderful" to both questions. Merrill Lynch's 1950 report tells this thriving tale:

Gross income smashed all records at $45.7-million, almost double the $25.1-million of 1949.

Operating profit skied to $12.5-million, compared with a modest $2.4-million the year before. And that despite the fact that 1950 contributions to profit-sharing fund and bonuses for employees jumped about $3.4-million, approximately seven times the 1949 figure.

Project those figures—more or less—to the rest of Wall Street, and you'll see what a golden year 1950 was for the stock and commodity houses.

• **Contributions**—As for Merrill Lynch, don't get the idea that the $12.5-million operating profit was pure velvet. For one thing, the firm dipped into these profits for $834,000 in contributions to charitable and educational institutions.

These gifts are as nothing compared with the bite the tax collector makes into the profits of the firm's huge drove of partners (58 general partners, 34 special partners, at last count). It's estimated that the government will snap up $8.2-million from the partners' collective profits.

All this whittled the partners' final income down close to $3.5-million, less than 30% of the operating profit. Still, Merrill Lynch isn't complaining; the net nearly tripled 1949's $1.2-million.

• **Policies**—The firm is proud of its over-all record; some of the details are equally pleasing. They point, the partners feel, to the soundness of the operating policies set up by senior partner Merrill when he founded the present firm over 10 years ago. These policies have been faithfully carried out by managing partner Winthrop H. Smith.

Years ago Merrill, an oldtimer in the Street, soured on the orthodox thinking of his brother brokers. Instead, he envisioned a "department store of finance," an organization whose main aim would be to bring "Wall Street to Main Street."

Merrill argued that securities could be merchandised like soap, shoes, and soup—and just as profitably. Following this up, he began to widen the scope of his operations in the bleak 1930's, just when other firms were pulling in their horns. He merged other brokerage houses into his organization, bought up weak sisters, added aggressive partners. Thus he was able to meet war, and the postwar prosperity, with the biggest brokerage-investment-banking house in Wall Street history.

• **They Laughed**—At first, the Street joked about Merrill's methods. The firm, with its nearly 100 partners, was quickly dubbed "we, the people," and the "thundering herd." Merrill laughed as hard as anyone. And he picked up each gag on the first bounce, used them in colorful advertising campaigns, the like of which Wall Street had never known.

Merrill was proud of the "brokerage supermarket" he was building up. And when other brokers saw the results, two things happened: the kidding gradually faded away, and many competitors started to copy Merrill innovations and to run up some of their own.

• **Huge Scale**—Look at some of these figures: Last year ML completed, on various exchanges and over the counter, 1,646,000 separate security transactions,

with another 303,000 of commodity deals. Its underwriting department handled $125-million of new corporate, municipal, and equipment trust issues. Another $63-million of securities were placed privately with buyers. At the end of 1950, the firm had resources of $257-million; in 1941 resources were less than $78-million. Over the same span of years, capital funds were up from $6.1-million to $18-million.

ML had two other boasts, perhaps more important:

• In 1950, it handled 10.2% of all the round lot business on the New York Stock Exchange. In 1949, the figure was 9.3%; in 1941, only 7.4%.

• It handled 14.7% of all Big Board odd lot trading, compared with 13.7% the year before, 8.8% nine years ago.

• **Costs**—It takes plenty of money to run the supermarket. Daily overhead is now estimated at $85,000. Here's where the money goes:

At the start of 1951, ML had 3,389 regular employees; it operated a chain of 106 offices in 103 cities, 36 states, and Cuba. Last year the cost of private wires, telephones, telegraph tickers, and electric quotation boards came to nearly $3-million. Research, publishing, and advertising added up to over $1.8-million, including $433,000 for newspaper and magazine space.

FINANCE BRIEFS

New York Curb Exchange will soon have a new head: 40-year-old Edward T. McCormick, SEC veteran and commissioner since 1949. Francis Adams Truslow, present Curb head, is slated to resign Apr. 1 and return to government work.

•

Price of seats on New York Stock Exchange begins to show effects of recent heavy trading. Five changed hands last week at $60,000 to $66,000. Last deal was at the highest price since April, 1948.

•

New York banks still are picking up branches. If stockholders approve, Chemical Bank & Trust Co. will acquire National Safety Bank & Trust, partly for cash, partly by issuing stock. Move will add another four to Chemical's 13 branches.

•

Nickel Plate road will wipe out its $45 of back dividends on preferred. Payment will absorb some $16-million of road's cash holdings. But Nickel Plate recently got $5.5-million in cash by selling 33,770 shares of Treasury common at $150. As recently as December, 1945, dividend arrears were $31.4-million, or $87 a share.

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THE MARKETS

Last Week's 20 Most Active Stocks

	Week's Volume	High	Low	Close	Net Change
Packard Motor	149,600	$ 5⅝*	$ 5¼	$ 5⅜	..
Int. Tel. & Tel.	140,800	16⅝	15⅜	16⅜	+ ¾
Am. Power & Light	138,000	21	18½	19¾	+1¼
RKO Theatres	130,300	5¼*	4⅜	5⅛	+ ¾
Chicago Corp.	125,700	17*	15	16⅝	+1½
Warner Bros.	123,600	13½	11⅞	13⅜	+2⅜
General Motors	115,600	52¼	50⅝	52	+1¼
Pepsi-Cola	114,800	12¼	11⅜	12	+ ⅝
Radio Corp.	111,200	19⅛	18⅜	18¾	— ¼
Canadian Pacific	104,200	28½*	26½	28⅜	+ ⅞
Callahan Zinc	100,400	5⅛*	4⅛	5	+ ½
Benguet Cons. Mining	99,600	1½	1¼	1½	+ ⅛
Sunray Oil	97,500	20½*	19⅝	20⅜	+1⅛
Loew's, Inc.	94,200	18¾*	17	18½	+1½
Graham-Paige	90,100	4¼*	3¾	3¾	— ⅜
Southern Co.	89,500	12⅛	11¼	11½	— ⅝
RKO Pictures	85,700	4¼	3⅞	4¼	+ ⅜
Milwaukee Road	84,900	30*	28	29½	+1⅝
North Am. Aviation	77,900	18⅞*	17½	18⅞	+1¾
N. Y. Central	76,900	24⅞	24	24⅜	+ ⅛

*1950-1951 high.

Speculators Hold the Stage

Stocks of marginal companies, quick to gain and lose, figured big in last week's trading. They are the speculator's favorites and should do well in a mobilization period.

Speculators are getting more dominant in the bull market. Take a look at the list (above) of the 20 stocks most frequently traded on the New York Stock Exchange last week: Six out of the 20 closed the week under $10, and 15 ended the week below $20.

• **Quick to Gain—and Lose**—Stocks like these are the special favorites of speculators. They offer more chance of a capital gain, percentagewise, than the higher-priced shares. That works both ways, of course. The lower-priced stocks also drop faster, percentagewise, than stocks in the higher-price brackets.

One good reason for this is that low-priced stocks are often the shares of marginal companies. When general business conditions are very good, plants of marginal companies run at capacity or near-capacity. That often increases their earnings faster, percentagewise, than the larger, better-established firms that have been operating at near-capacity for a long time. But when business is bad, the process is reversed. Earnings of marginal firms fall off faster.

• **Favorable Forecast**—This year, mobilization needs are going to be piled right on top of a civilian-goods boom. Though the forecast for over-all corporate earnings in 1951 is not all sunshine (BW—Feb.10'51,p114), it is sure to mean better earnings for many marginal companies. Mobilization means more business for auto companies like Packard, which this week declared its first dividend since 1949. It means more communications traffic for International Tel. & Tel. It might mean more business for Callahan Zinc, a perennial speculative football. And North American Aviation should boost its profits during a mobilization period, even after excess profits tax and renegotiation.

• **Movies, Too**—Four movie stocks were also among the leaders last week. Both RKO Theatres and RKO Pictures were heavily traded as speculators tried to turn a quick nickel out of the breakup of Howard Hughes' control of the old RKO Corp. (page 121). Warner Bros. and Loew's appeared frequently on the tape, too.

You might consider the movie industry as a marginal industry that failed to do well in the "normal" conditions of the postwar years. It may do better

now when consumers won't be able to spend so much of their money on other civilian goods. There have been signs lately that the postwar decline in movie attendance is beginning to level off.

• **Special Cases**—Other stocks figure on the list of leaders for special reasons. American Power & Light has been traded heavily because of reports that the company plans to sell its holdings in Washington Water Power Co., a utility in the Pacific Northwest, to local public utility districts. Pepsi-Cola, which has been rather deflated in recent months, has attracted buyers following a change of management. Sunray Oil recently boosted its dividend. Chicago Corp. has speculative possibilities in development of natural gas and oil properties. Canadian Pacific is a railroad with big oil and mining holdings.

1949-51 Bull Market: The Score to Date

	Standard & Poor's Weekly Indexes (1935–39 = 100)						
	Pre-Korean Phase			Korean Market			
Stock group	1949 Low	Jun. 21, 1950	Gain	Jun. 21, 1950	Recent Level	Gain *	Total Bull Market Gain
Leather	58.9	156.6	165.9%	156.6	210.1	90.8%	256.7%
Paper	218.5	415.7	90.3	415.7	602.1	85.3	175.6
Steel	104.6	173.0	65.4	173.0	234.4	58.7	124.1
Rayon	253.3	406.7	60.6	406.7	553.8	58.0	118.6
Low-price commons	102.4	161.3	57.5	161.3	223.1	60.4	117.9
Tires, rubber goods	157.0	235.9	50.3	235.9	323.3	55.6	105.9
"War" stocks	90.5	137.9	52.4	137.9	185.7	52.8	105.2
Fertilizer	188.3	260.9	38.6	260.9	364.1	54.8	93.4
Television, electronics	115.0	241.3	109.8	241.3	221.0	‡17.6	92.2
Railroad	87.0	108.6	24.8	108.6	163.0	62.6	87.4
Air Transport	193.2	250.1	29.5	250.1	360.9	57.3	86.8
Automobile	106.3	186.7	75.6	186.7	198.3	10.9	86.5
Aircraft manufacturing	96.3	137.8	43.1	137.8	179.4	43.2	86.3
Chemicals	121.9	191.9	57.4	191.9	224.5	26.8	84.2
Woolen goods	91.8	100.1	9.0	100.1	168.5	74.6	83.6
Copper	96.2	127.2	32.2	127.2	173.9	48.6	80.8
Capital goods shares	103.4	150.5	45.6	150.5	182.2	30.6	76.2
Oil	148.4	193.7	30.5	193.7	258.4	43.6	74.1
Distillers	294.4	357.3	21.4	357.3	504.3	49.9	71.3
Agricultural machinery	106.0	136.5	28.8	136.5	180.4	41.4	70.2
Ethical drug	113.9	194.3	70.6	194.3	193.5	‡0.7	69.9
Cotton goods	199.5	244.2	22.4	244.2	338.0	47.0	69.4
Mining, smelting	70.3	82.5	17.4	82.5	116.2	47.9	65.3
Department store	173.8	228.1	31.2	228.1	287.2	34.0	65.2
All industrials	115.6	159.5	38.0	159.5	189.7	26.1	64.1
Machinery	97.3	123.7	27.1	123.7	159.5	36.8	63.9
Electrical equipment	86.0	126.9	47.6	126.9	139.1	14.1	61.7
Metal fabricating	90.3	122.1	35.2	122.1	145.3	25.7	60.9
Sugar	79.7	103.1	29.4	103.1	128.1	31.3	60.7
Auto parts, accessories	96.5	139.3	44.4	139.3	154.1	15.3	59.7
COMPOSITE INDEX	110.7	149.4	35.0	149.4	174.8	22.9	57.9
Office, business equip.	140.2	207.1	47.7	207.1	219.8	9.1	56.8
Lead, zinc	85.1	89.9	5.6	89.9	132.9	50.6	56.2
Mail order, gen'l chains	162.1	209.7	29.4	209.7	248.8	24.1	53.5
Coal	190.9	207.4	8.6	207.4	291.0	43.8	52.4
Shipbuilding	157.2	177.7	13.0	177.7	235.1	36.6	49.6
Glass container	86.9	113.6	30.7	113.6	129.7	18.6	49.3
Building materials	100.0	140.6	40.6	140.6	148.9	8.3	48.9
Consumer goods shares	115.3	156.6	35.8	156.6	171.0	12.5	48.3
Food chains	169.2	236.2	39.6	236.2	250.8	8.6	48.2
Railroad equipment	74.8	81.1	8.4	81.1	109.1	37.5	45.9
Printing, publishing	96.8	109.6	13.2	109.6	134.4	25.6	38.8
Shipping	334.2	391.9	17.3	391.9	454.9	18.8	36.1
Foods	115.6	146.2	26.5	146.2	155.2	7.8	34.3
High-grade commons	108.7	136.8	25.9	136.8	144.1	6.7	32.6
"Peace" stocks	131.8	165.4	25.5	165.4	174.2	6.7	32.2
Metal containers	68.3	89.3	30.7	89.3	83.1	‡9.0	21.7
Natural gas	166.2	201.7	21.4	201.7	202.3	0.3	21.7
Utilities	92.3	112.5	21.9	112.5	109.8	‡2.9	19.0
Finance companies	90.7	129.5	42.8	129.5	106.7	‡25.2	17.6
Confectionery	109.3	135.1	23.6	135.1	127.0	‡7.4	16.2
Proprietary drugs, cosm.	123.5	134.1	8.6	134.1	142.9	7.1	15.7
Shoes	106.9	115.4	8.0	115.4	123.3	7.3	15.3
Motion pictures	142.7	140.5	‡1.5	140.5	164.1	16.5	15.0
5¢, 10¢, $1 chains	118.3	133.6	12.9	133.6	129.3	‡3.6	9.3
Gold mining (U. S.)	59.1	71.3	20.6	71.3	64.0	‡12.3	8.3
Soft drinks	108.9	130.3	19.7	130.3	116.8	‡12.4	7.3
Tobacco	77.8	85.7	10.2	85.7	81.5	‡5.4	4.8

* *Figured on 1949 low.* ‡ *Loss.*

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LABOR

ECONOMIC STABILIZER Eric Johnston briefs labor aide George Harrison.

Pay Stabilizers in Trouble

Even before WSB decides how much of an adjustment in wages will be allowed, bargaining in packinghouses and aviation plant breaks through the probable ceiling.

Bargaining wouldn't stand still long enough this week to let the Wage Stabilization Board focus on its new wage-stabilization formula. While WSB worked to reconcile three different ideas about what the formula should say, new pay settlements were building up enough this week to threaten to break through any new ceilings.

• **Pounding the Lid**—Nub of WSB's problem was how to design a "catch-up" formula that would permit workers, lagging behind in pay hikes over the last year, to come into line with recent, higher raises.

The trouble is, according to one WSB member, you can't work out a formula "without having someone's contract hit the ceiling." The impact is sure to be mighty painful—or to bust the roof.

• **Packing Problem**—Such a situation already is in the making. AFL and CIO packinghouse unions last week negotiated a 9¢ hourly raise to be paid by "Big Four" packers (BW—Feb.10'51, p124). But WSB must O.K. the raise.

The two unions negotiated an 11¢ raise last August. Add the new 9¢ increase to that, and you get a 20¢ hourly raise. That's something like 17½% above wages in effect before August; even as it was signed, it was obviously an above-formula percentage.

Unions want the full 9¢—or else. Both AFL and CIO sped officers to Washington this week to make that known. The CIO group, particularly, warned that its packinghouse workers would strike Mar. 25 if the 9¢ raise doesn't show up in pay envelopes before then. It admitted the strike warning was aimed at WSB, not packers.

• **Auto Trouble**—Another potentially troublesome settlement was dumped on WSB desks by the United Auto Workers (CIO). It involves a 15¢ hourly increase at Fairchild Aircraft, to be paid if WSB approves it. UAW struck for five weeks to get that raise. It won't give it up without a fight.

What will WSB do about these and other recent settlements? At midweek nobody knew for sure. Public, labor, and industry members each had proposals before the board.

Public members wanted an 8% maximum increase over a Mar. 15, 1950, base, plus a cost-of-living adjustment based on the Bureau of Labor Statistics' April index figure. The cost of "fringe" benefits—such as pensions and insurance—would not be charged against the 8% if already in effect, but benefits negotiated after Jan. 25 would be.

Raises under escalator contracts, like General Motors', would be approved through June 30. This would validate the 4¢-an-hour productivity increase due GM and other workers this year, and c-of-l adjustments due on Mar. 1 and June 1.

A Mar. 15, 1950, base date would keep John L. Lewis' 70¢-a-day raise for miners last Mar. 5 from being counted as part of the allowable 8% increase—but Lewis' recent $1.60-a-day raise would be.

Labor members proposed that WSB allow increases up to 12% or 12¢ an hour, whichever is greater, for the period from May 24 to Dec. 15, 1950, and allow increases after that equal to the monthly rise in the BLS c-of-l index. "Fringe" costs would not be counted as part of wages.

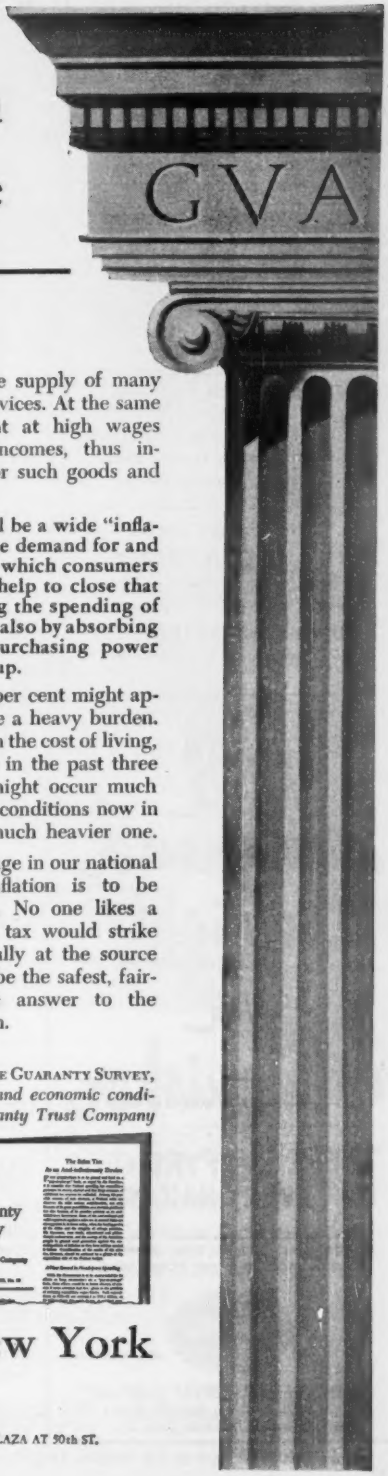
Industry members proposed that WSB permit only enough of an increase to let workers catch up with the fifth-round wage pattern—and no more than 8% above Jan. 15, 1950, wage levels. They would include "fringe" costs as wages in figuring allowable raises—both in increases granted so far, and in new contract gains. And they would permit escalator clauses to operate only within the allowable 8% range for increases.

• **Hands Off**—WSB was trying to reconcile these differing viewpoints this midweek. Economic Stabilizer Eric Johnston wasn't pushing the board too hard for a quick decision. He prefers to let the board resolve its differences within its ranks, without interference.

But Johnston indicated that, if the board could not reach a decision soon, he would take a hand personally in writing the wage-adjustment formula.

• **Union Voice**—That could mean that a top union leader might get an important role in forging a new wage policy. George M. Harrison, president of the Brotherhood of Railway Clerks, and an AFL vice-president, was named last week as a special, top-level assistant to Johnston. Harrison will keep his top post in the union.

The SALES TAX as an Anti-inflationary Device



IF war preparedness is to be placed and held on a "pay-as-you-go" basis it is essential that Federal spending for non-military purposes be sternly slashed and that large amounts of additional tax revenue be collected. Among the possible sources of new revenue, a Federal sales tax deserves the most serious consideration, not only because of its great possibilities as a revenue producer but also because of its peculiar potency as an anti-inflationary instrument.

Some of the conventional and valid arguments against a sales tax in normal times are strong points in its favor today, when the buying power of the dollar and the integrity of old-age pensions, life insurance, trust funds, educational and philanthropic endowments, and the savings of the American people in general need protection against the corroding effects of inflation as they have seldom needed it before.

Sales taxes are obviously unpopular. In normal times there are numerous sound objections to them. In an emergency like this, however, some of these objections become the strongest arguments for this method of taxation.

It is generally agreed, for example, that sales taxes are deflationary — that they tend to curtail demand, depress prices, and diminish the volume of business all along the line. At a time like this, such a dampening influence in markets for consumer goods and services is exactly what is needed. The American people face a situation in which the Government's requirements, which are paramount, will force curtailment of the supply of many consumer goods and services. At the same time, large employment at high wages will swell consumer incomes, thus increasing the demand for such goods and services.

The natural result will be a wide "inflationary gap" between the demand for and the supply of the things which consumers buy. Sales taxes would help to close that gap, not only by making the spending of money less attractive but also by absorbing a part of the excess purchasing power tending to force prices up.

A tax rate of, say, 10 per cent might appear at first glance to be a heavy burden. Yet a rise of 10 per cent in the cost of living, such as has taken place in the past three and a half years and might occur much more quickly under the conditions now in prospect, would be a much heavier one.

We have reached a stage in our national financing where, if inflation is to be avoided, all must help. No one likes a sales tax, but no other tax would strike so directly and powerfully at the source of inflation. It seems to be the safest, fairest, and most realistic answer to the present revenue problem.

From the February issue of THE GUARANTY SURVEY, *monthly review of business and economic conditions published by the Guaranty Trust Company of New York. The complete issue is available on request to our Main Office, 140 Broadway, New York 15, N. Y.*

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Rail Mess—a 10-Year Growth

History of involved disputes and strikes shows lines and unions drifting away from real collective bargaining. Both sides blame government for its frequent interventions.

Army officers in charge of operating seized railroads dug into World War II vocabularies to describe rail labor conditions this week. Although trains were operating again, the officers reported tersely and somewhat bitterly on labor relations: "Snafu." That means "situation normal—all fouled up."

• **A 10-Year Story**—How did they get that way? Not suddenly. You have to go back 10 years to find the real beginnings of the present complex railroad labor troubles.

Until then, the Railway Labor Act was considered a model law. First passed in 1926, it requires carriers and unions "to make every reasonable effort" to set contract terms and settle disputes through collective bargaining. If they can't, the National (Railroad) Mediation Board steps in, tries to get a settlement.

If NMB fails, and a strike threatens, the President must name an emergency fact-finding board. Strike action is barred until 30 days after it reports its recommendations. The terms it proposes as a settlement aren't binding—but until 1941 a board's terms carried so much weight that parties agreed to them without much quibbling.

• **It's Different Now**—Things have changed. In its latest annual report, the NMB said:

"The board is disturbed by the apparent reluctance of both the carriers and the organizations (unions) to conduct thorough collective bargaining; each side apparently feels that the responsibility for disposition of all cases should be attached to some other source."

NMB noted that each side blames the other for this situation—and both sides blame the government.

A look back at the last 10 years of railroad labor relations supports the NMB's report. The facts indicate:

• There has been little real collective bargaining between carriers and the 20-odd unions with which they deal. The government has been involved in just about every set of contract talks since early 1941.

• What bargaining there has been in most cases has come after the government issued fact-finding recommendations of a "fair and just" settlement. The unions have been willing to bargain from that point.

• There has been too much red tape and lost time between contract demands and final settlements. The gap has seldom been less than six months. Frequently, it has been longer.

• Too many final decisions have come out of the White House, after pleadings and threats, injunctions and contempt actions, mediation and arbitration.

You see all that in a chronology dating back to July, 1941.

1941-1948

President Roosevelt intervened in railroad wage disputes in 1941 when unions balked at fact-finders' recommendations. Operating unions got 9½¢, nonoperating unions 10¢—both higher than the fact-finders' proposals.

New wage demands were made in 1942, went to fact-finding in 1943. Settlement terms tangled up in wage-control red tape. Roosevelt interceded for the unions, got them 5¢ more than the "Little Steel" formula allowed—as a payment in lieu of overtime premium pay. Total raises in 1943 and 1944: 9¢ for operating unions, 9¢ to 11¢ for the nonoperating group.

• **Draft Move**—Demands made in 1945 were settled in 1946 by a 16¢ arbitration award for all but two unions. Engineers and firemen refused to arbitrate, struck for a bigger raise. President Truman asked Congress for the right to draft the strikers. The two unions returned to work, but with an 18½¢ raise.

Demands made in 1947 were settled in the same year by a 15½¢ arbitration award for nonoperating and two operating unions. Engineers, firemen, and switchmen refused to arbitrate. Their case went to fact-finding in 1948. When the unions turned down a recommended 15½¢ raise, the government took over the roads and enjoined a strike. The unions had to settle for 15½¢. That's the last raise engineers and firemen have had.

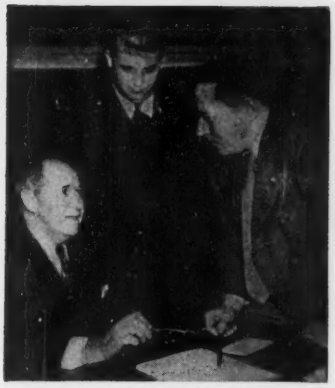
Also in 1948, conductors and trainmen settled for 10¢ in direct bargaining. They haven't had a raise since.

And nonoperating groups demanded a 40-hour work week at 48-hours' pay—plus an additional 25¢ raise.

1949

After two sets of fact-finding sessions, nonoperating unions got a 40-hour week at 48-hour pay, and an additional 7¢ raise.

Other unions, with the exception of the engineers, hurried demands for a shortened work week. At first, they asked for it for everyone. Later, the demand was narrowed down to a 40-



RAIL MEDIATION BOARD members John Thad Scott, Francis O'Neill, Jr., Leverett Edwards still have a big job ahead.

hour week for yardmen and other personnel not on regular road runs.

1950

Mediation got nowhere, and the unions set a Feb. 27 strike date. A fact-finding order delayed strike action. Three months after hearings began, the fact-finders recommended a 40-hour week with a total 18¢ raise. Unions said they'd need at least 31¢ to prevent any loss of take-home pay. They refused to settle for 18¢.

Switchmen struck against five western roads to protest delays in settling their short-week demand. The walkout ended when the government seized the Rock Island and got an antistrike injunction. Switchmen returned at the old wages and hours. Then the White House intervened.

Dr. John R. Steelman, aide to President Truman, studied the issues, recommended a 40-hour week and a 23¢ boost in pay (5¢ more than fact-finders suggested). Switchmen took the 23¢. They signed a three-year contract with a cost-of-living clause.

• **Seizure**—Conductors and trainmen refused the same terms for their yardmen. They set Aug. 28 as the strike date. The government seized the carriers, got antistrike injunctions. Workers stayed on the job at old rates and hours. This dispute is still unsettled.

Meanwhile, straight wage demands began to pile up. Engineers asked for 20%, with a minimum $2.80 a day raise; firemen and enginemen, trainmen, and conductors called for 35¢ pay hikes; nonoperating unions demanded 25¢. These demands also are still unsettled.

Irked over delays in settling their 1949 40-hour-week demand, yardmen represented by the trainmen's union reported "sick" at major rail centers between Dec. 13 and Dec. 16. The Army, in nominal control of seized roads, called it a strike. Since injunc-

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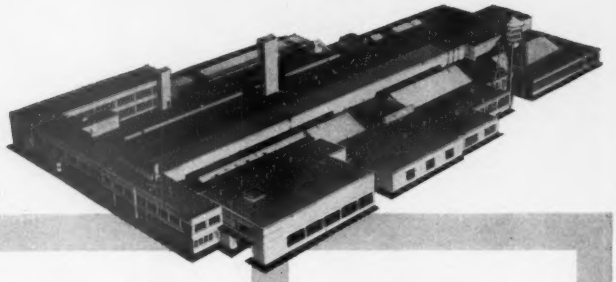

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TRAINMEN'S CHIEF W. P. Kennedy leaving court after a $25,000 fine for union.

tions barred walkouts during the period of government operation, the Army began civil and criminal contempt action against the union and its officers.

• **"Agreement"**—This dispute apparently ended Dec. 21 when a "memorandum of agreement" was signed by officers of the engineers, firemen, conductors, and trainmen, and by the carriers. Terms, written at the White House by Steelman, included:

Acceptance "in principle" of the 40-hour week for yardmen, to be effective Jan. 1, 1952, if practical then; a 25¢-an-hour raise for yardmen, 10¢ for operating personnel; and a number of rules changes. The "agreement" had a proviso that Steelman could issue binding decisions on any work-rule disputes carriers and unions couldn't settle by direct negotiations. It also barred wage demands for three years. Pay changes would be permitted only under a cost-of-living formula.

Union officers initialed the agreement, but said its terms must be ratified by their negotiating committees. Ordinarily, this is only a formality. But all four unions turned it down. They instructed officers to return to Washington for a "more favorable settlement."

1951

Union officers returned to Washington Jan. 17. After preliminary talks, Steelman bowed out of the dispute—at least temporarily. The National (Railroad) Mediation Board took over. It announced a fresh start would be made on settlement terms.

Yardmen began reporting "sick" again Jan. 29 and 30. Stoppages spread and crippled rail service. The Army brought new contempt charges against the trainmen's union and its officers. It asked for $500,000-a-day fines—rem-

iniscent of the penalty against John L. Lewis' mine union in 1949. Union officers produced letters and telegrams urging members to "cease this unauthorized stoppage forthwith." U.S. Federal Judge Michael Igoe wasn't convinced. He fined the union $25,000 for the "sick" stoppage in December, 1950. The union faces a trial on the second "sick" strike May 14.

• **Seniority**—Last week, the Army—supposedly on direct orders from the White House—got tough with strikers. It ordered "sick" yardmen to return to work in 48 hours or show a doctor's certificate to prove sickness. It said that anyone who failed to comply would forfeit his job and his seniority status.

The Army also ordered token raises into effect: 12½¢ for yardmen, 5¢ for operating personnel. Both amounts are half of what Steelman recommended, and unions turned down. (The Army raises aren't a settlement of the 40-hour-week, work-rule, and wage disputes; the order specified that carriers and unions must continue to negotiate on these issues.)

• **Denounced**—Yardmen recovered very quickly from their "sickness" and returned to jobs. As they did, a Truman tongue-lashing characterized them as "ill-advised or irresponsible men . . . who had acted like Russians and gone back on their agreement." That, on top of the Army order, made the rail unions madder than ever. They complained against government interference with "free collective bargaining."

While all this was going on, 15 nonoperating unions continued pushing demands for a 25¢ raise for 1-million workers. The NMB also had their case. The nonoperating group warned: Unions are mad about the whole railroad situation and "will brook no unnecessary delays" in getting overdue pay adjustments.

Is It Legal to Help Oust Left?

NLRB must decide in Stewart-Warner case whether company has right to favor right-wing unions to get rid of left-wing. Public view and T-H law are at odds on question.

The National Labor Relations Board must shortly answer a question it would prefer to duck: Can an employer help a right-wing union oust a Communist party-line union from his plant?

It's an uncomfortable question for the board because public support would back the employer—but Taft-Hartley says bluntly that an employer can't take sides in a fight between unions.

• **The Case**—Stewart-Warner Corp., Chicago, canceled a contract with the United Electrical Workers in June, 1949. UE was still affiliated with CIO at that time, but already was under heavy criticism from CIO's leaders as a pro-Communist union. UE's leaders hadn't signed non-Communist oaths, so the union couldn't protest the cancellation by filing charges with NLRB.

Shortly afterward, Stewart-Warner took an active part in a campaign that gave a victory to the right-wing International Brotherhood of Electrical Workers (AFL) in a bargaining poll. UE couldn't get on the ballot since it hadn't qualified under T-H, so it campaigned for a "no union" vote. Among other things, Stewart-Warner let IBEW campaign on company premises, but barred UE; it also circularized employees with an attack on UE.

UE couldn't ask NLRB to act against what it called Stewart-Warner's "flagrant interference" with the election. But the company had fired three UE members during the campaigning. These three, as individuals, filed unfair-labor-practice charges against the company. That put the case before NLRB.

• **Motives Don't Count**—A board trial examiner heard the charges. He decided that it doesn't matter how pure—or patriotic—an employer's motives are. The law is the law. So he ruled against Stewart-Warner's show of partiality and recommended that the board throw out IBEW's victory.

Now NLRB has the case. It also has an appeal from the company to reverse the trial examiner and sanction its anti-Communist stand (BW—Jan.21'50, p104). Stewart-Warner did not deny the allegations against it during oral hearings before the board. It argued, instead, that NLRB should dismiss the charges by one of three courses:

(1) It could use its discretionary powers to dismiss the case because the company acted in good faith to discourage membership in a pro-Communist union.

(2) It could rule that the charges were before it illegally. The individuals who filed them were "fronting" for UE when UE couldn't bring the charges itself.

(3) It could take a tip from the Canadian Labour Relations Board and rule UE isn't a qualified "labor organization" (BW—Dec.30'50,p67). CLRB decided that the Canadian Seamen's Union (Ind.) isn't a union under Canada's labor law—because, the board said, CSU is more concerned about advanc-

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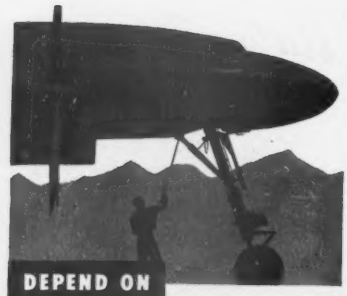

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ing the interests of the Communist Party than about bargaining for members. NLRB could bring a similar finding against UE, the company urged. CIO kicked UE out in 1949 for consistently following the Communist party line; it is led by officers whose non-Communist oaths are now under scrutiny by the Justice Dept. (BW—Jan.13'51,p90).

An attorney for the T-H general counsel backed the trial examiner's findings against Stewart-Warner in other arguments before NLRB. He said that NLRB has had cases before in which an employer favored one union over another. In these cases, he pointed out, NLRB has issued cease-and-desist orders and ruled an election invalid—even though one of two competing unions had not fully qualified under T-H. He said the Stewart-Warner case should be considered in the same light.

Tobin Bars High-Wage Lure

Government contractors must stick to an area's prevailing wage scales—unless military construction jobs suffer from shortages of skilled manpower. Order follows pleas from private employers.

Employers in out-of-the-way areas cherish their "prevailing wage rates." Generally, they're lower than in big cities, especially in nonunion regions. That's why the employers quake when they hear that a big government installation is coming to their area.

For them, the big question is: Will the government contractors use high pay to lure workers? And what will it do to the local scale?

• **Reassurance**—This week Labor Secretary Maurice J. Tobin reassured the employers—but a big "if" trailed after his words. Tobin announced that contractors who build government projects must stick to prevailing wages, so as not to "disrupt the existing economy" of any area. That means no premium pay for imported workers that would make the local labor force restless. Presumably the same policy would apply to the contractor who later operates the plant.

Here's the gimmick: The wage ceilings hold only as long as military construction isn't delayed by labor shortages.

• **AEC Project**—Tobin set the policy in a decision on wage rates to be applied in the construction of the Atomic Energy Commission's $600-million Savannah River H-bomb project. E. I. du Pont de Nemours & Co., contractor for the South Carolina plant, estimated that it would need 35,000 construction workers—obviously far more than could be found in the predominantly rural area between Aiken, S. C., and Augusta, Ga.

Under the Davis-Bacon law, which covers government construction contracts, the Labor Secretary determines what the prevailing wage is in a locality. This becomes the legal minimum there for government contractors. It's all that the contracting government agency will allow as costs. And this means that the Davis-Bacon minimum is also a maximum. The contractor won't pay more—even if there's no wage freeze—as it would come out of his own pocket.

• **Loopholes**—In World War II, recruiting outside an area generally was helped along by a premium-pay lure, with the government finding loopholes for the added cost. Remembering that, AFL construction unions suggested to Tobin that the prevailing rate in the Aiken-Augusta area wouldn't bring in enough workers. The unions urged Tobin to set rates high enough to attract skilled workers from all along the eastern seaboard.

But other groups were busy, too. Private contractors, and employers in other industries, urged the governors and legislatures in Georgia and South Carolina to protest setting rates that would "disrupt the South Carolina economy." They warned: High rates would break all existing wage levels in the area, and the influx of high-pay, unionized workers would help AFL and CIO organizing efforts. The governors and legislatures agreed.

• **Some Concessions**—Tobin strung along with them—with some limited concessions to the AFL.

He set rates that are for the most part based on actual pay in Aiken and Augusta. In a few instances, involving highly skilled trades, he took the rate prevailing in Atlanta.

There's a rub, though. Tobin and AEC don't expect to see the job fully manned at these rates. Tobin warned that du Pont and the AEC can make "any wage adjustments necessary later, in accordance with applicable laws."

That means that, if wage-stabilization policy should permit higher rates later, du Pont can raise rates as much as the national policy allows—if AEC O.K.'s the raise as justified to get workers.

Private employers in the Aiken-Augusta area are wondering how big a loophole that might prove to be.

Tobin's ruling applies only to the H-bomb plant. But it sets a precedent for all other government defense jobs.

MUSICIANS' LEADER James Caesar Petrillo smiles at the news that . . .

Featherbeds Stay

NLRB panel holds unions can insist that employers hire unnecessary workers if extras are actually willing to work.

Despite the Taft-Hartley ban on "featherbedding" practices, a union can still demand that an employer hire more men than he actually needs. The union demand is legal, the National Labor Relations Board says, provided the extra men are actually willing to work.

• **Split Verdict**—The NLRB ruling came in a case brought by an Akron theater against the American Federation of Musicians (AFL). Board members Abe Murdock and Paul Styles wrote the majority decision for a three-member hearing panel.

James J. Reynolds, Jr., dissented; he argued that the decision lets unions continue featherbedding practices "by the simple expedient of insisting upon the performance of nonexistent and unwanted work tasks."

• **The Case**—The Akron local of AFM had objected because the Palace Theater billed traveling orchestras; that left some Akron musicians without jobs, it said. The union demanded that the Palace hire a local band either on a standby basis or to play a number of nonconflicting dates each time it used an outside orchestra.

Gamble Enterprises, Inc., operator of the Palace, filed an unfair-labor-practice charge against the local. The employer said the union was violating T-H by its "attempt to cause [the theater] to pay . . . for services which are not performed or not to be performed."

When the lawmakers wrote the section of T-H invoked by Gamble, they had AFM and the International Typo-

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Next "Clues" section appears in February 24 issue

graphical Union (AFL) particularly in mind. Congress was told that both make a practice of "make-work" demands aimed at maintaining employment.

• **The Argument**—The NLRB panel majority agreed that Congress meant to ban any exactions for "people who do not work" or for "work not to be performed." But they held that Congress did not intend to bar unions from seeking actual employment for idle members—that such a demand is a legitimate union objective protected by law.

UAW Local Fails in Bid To Control Supervisors

Kaiser-Frazer's long honeymoon with labor was marred by a spat last week. In the process, a militant United Auto Workers (CIO) local got a setback. It failed—at least temporarily—in a bold bid for some form of control over supervisors at the Willow Run plant.

• **Part of Management**—K-F considers its supervisors to be lower-echelon management, answerable only to higher brass. Several weeks ago, a Willow Run worker got into a fight with his supervisor. The employee was discharged. UAW Local 142 went on strike, protesting the dismissal and demanding the right to discipline the supervisor.

The company said a firm "no." It considered that giving in on supervisor control could be even more dangerous than the financial effect of a long strike.

• **Goodwill Non-Negotiable**—K-F has a record of good relations with UAW, but it found it couldn't cash in on the record in the supervisor case. In the union's internal politics, officers of Local 142 are on the other side of the fence from UAW's top policymakers—the ones who have hailed past contracts with K-F as "milestones" of sound labor relations.

The dispute, therefore, had to be handled solely on a local level. Last week, it was settled after a round-the-clock, 19-hour bargaining session. The settlement was announced as a "compromise"—but the facts show the union backed down from its key demand.

The worker's penalty for the fight was reduced to a two-week layoff. The question of disciplinary action against the supervisor will be arbitrated.

The Pictures—Cover by Dick Wolters. Acme—121, 131, 132, 135; Black Star—141 (top); Cobean Cartoons—113, 114, 115, 116, 118, 119, 120; Bob Isear—22, 23, 77, 78, 80; Keystone—26; Triangle—141 (bot.); Wide World—128, 136; Dick Wolters—42, 45.

LABOR BRIEFS

New manpower head, Arthur S. Flemming (picture, above), is under fire from unions. Their United Labor Policy Committee this week urged Mobilization Director Charles E. Wilson to reconsider his appointment (page 23). The unions want Labor Secretary Tobin—more apt to listen to them—to direct "recruiting, transferring, and channeling manpower."

•

A strike ended quickly in Lima, Ohio, recently when the wife of a picket bought a struck movie theater. The new owner signed an AFL contract giving a 15¢ raise to the house's one projection-room employee.

•

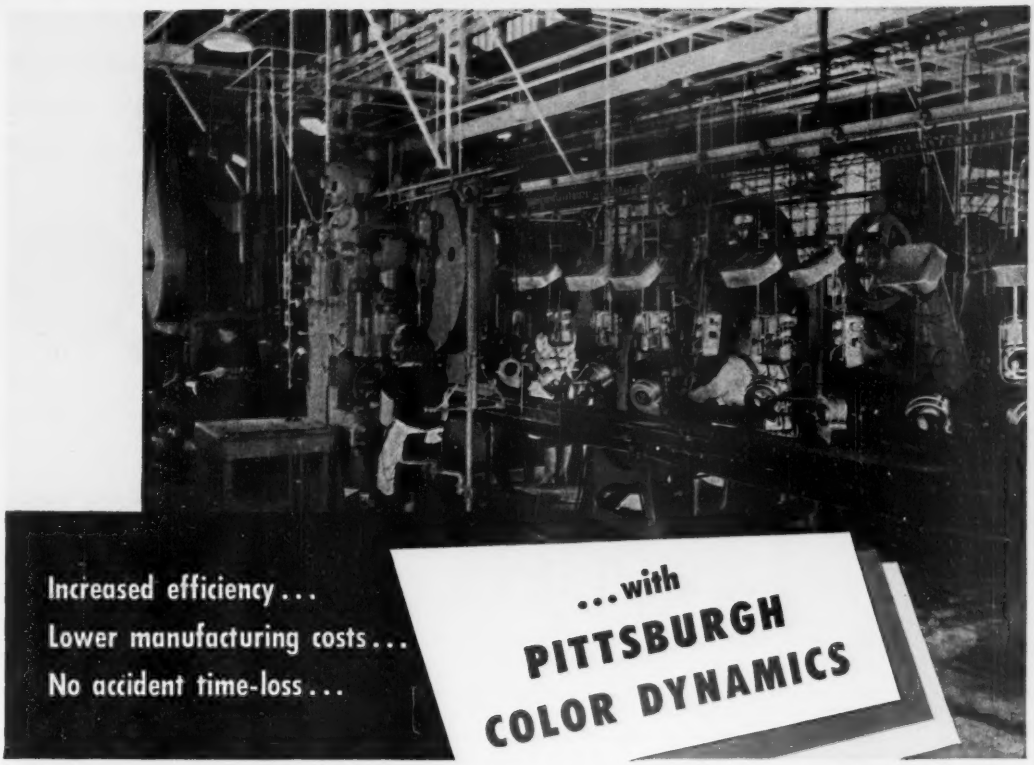
State legislatures meet this year in all states except Louisiana, Mississippi, Kentucky, and Virginia. Union people will be on hand at most of them to urge state 75¢ hourly minimum wage laws, more liberal jobless-pay and sickness-disability laws, and repeal of what unions call "a lot of antilabor laws."

•

Charities benefited by $69,050 this month because Jones & Laughlin plants set new safety records in 1950. Company and its CIO steelworkers reached a unique agreement a year ago. J&L would give to worthy causes, picked by the union, whatever it saved by decreases in on-the-job accidents in 1950. With the union preaching safety, accidents dropped.

•

Rubber cutbacks are worrying CIO's Rubber Workers. Officers estimate "about 10,000" members face layoffs in the next few weeks due to government slashes in rubber supplies. Union is asking CIO aid in effort to "get at the truth" about the synthetic rubber supply.



Modern painting system brings benefits to management and workers alike in Automotive Heater Division of Eaton Manufacturing Company

EATON Manufacturing Company of Cleveland, Ohio, is proving—by actual experience—how Pittsburgh COLOR DYNAMICS benefits management and workers alike as it *increases the amount of work per man-hour and the number of man-hours per worker.*

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Late last year this entire heater plant was repainted according to COLOR DYNAMICS. Following the principles of the *energy in color, focal* colors were painted on operating parts of machinery and *eye-rest colors* on stationary parts to aid workers to see their tasks better and to reduce eye fatigue. Walls and ceiling were finished with *morale-building* colors to provide additional eye-rest areas. *Safety* colors were used to reduce accident hazards.

● **"As a result of repainting** according to COLOR DYNAMICS", reports W. A. Mattie, superintendent of the Heater Division, "we have noticed improvement in operating efficiency, employee morale and general plant cleanliness.

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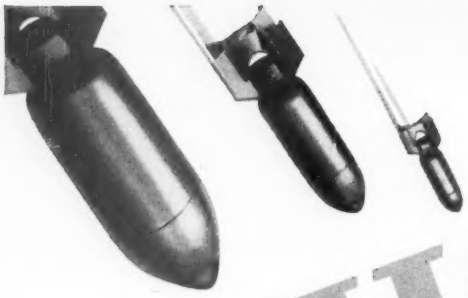

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INTERNATIONAL OUTLOOK

Moscow is trying to lure France away from the U. S.—as a prelude to any Big Four talks.

Through diplomatic channels, Stalin has told the French he's ready to:

- Renew the Franco-Soviet friendship pact of 1945. (Paris has been worried lately that Moscow might revoke this treaty.)
- Stop interfering in France's internal affairs. This might even include Indo-China.
- Disband the East German army if France will block the rearming of West Germany.

•

It's unlikely Stalin thinks he can pull France out of the Atlantic alliance with such an offer.

Probably his aim is more limited—to soften up the French before a Big Four meeting is held. Germany will be a major topic, so his splitting tactics might pay off.

What Moscow ultimately wants is an all-German government, which would be disarmed and neutral between East and West. Stalin figures that in time the Reds could get control of it, just as they did in Czechoslovakia.

Even if the Pleven government doesn't fall for Stalin's offer, many Frenchmen will when it's made public. So Stalin can probably produce at least a political crisis in France.

•

West German political leaders have their own answer to the Soviet unity scheme.

Chancellor Adenauer plans to ask the Big Four to hold free elections for an all-German parliament. Opposition leader Kurt Schumacher agrees.

But neither Adenauer nor Schumacher thinks Moscow will agree to free elections. That would just about erase Russian influence in Germany.

On the other hand, the two Bonn leaders refuse to consider the East German proposal to set up a constituent assembly in which East and West Germany would be equally represented. This would give the Reds their golden chance to worm into all Germany.

•

So far, Washington has not faced up to this German unity problem.

Instead, the State Dept. has been concentrating on rearming Bonn.

But it's obvious now that we'll get nowhere with rearmament until the unity question is out of the way.

That means the U. S. must decide whether to back all-German elections on Bonn's terms. As an alternative, we might give West Germany full and equal status in the Atlantic community at once. But we'd have to do some grade-A selling to get the French to agree.

•

More U. S. economic aid for Yugoslavia is in the works. That's why you hear more and more Washington talk about the Red threat to Tito.

The Administration soon will make this case: Unless Tito gets help quickly, he will either have to (1) demobilize some of his 32 divisions; or (2) let living standards drop so low that Stalin can foment internal unrest.

•

The State Dept. will continue to stress the danger of a satellite attack and the need to have Tito's army as strong as possible. State thinks that this is the only way to get Congress to buy a new aid program for a Communist nation.

In fact, though, State isn't too worried about an attack on Tito. Officials

believe they have made it clear to Stalin that such a move would bring on World War III automatically.

What really worries the Administration is the internal threat to Tito's regime. Shortages of essential consumer goods are now pinching very hard.

So the real reason for the upcoming aid program is this: Tito must be kept on top as a symbol of successful revolt against Moscow. In that role, he is one of the West's most valuable assets.

■

German negotiators agreed last week to the anticartel provisions of the Schuman coal-steel pool. An O.K. from Belgium is about all that's needed now to get the draft of the treaty signed.

Then comes the real test. Will the parliaments in Paris and Bonn ratify it?

Chancellor Adenauer has warned U. S. officials that he can't guarantee support in the Bundestag. Some Labor groups, most businessmen, and opposition leader Kurt Schumacher all are against it.

The French Chamber of Deputies won't be easy to handle, either. In fact, this issue could even bring down the Pleven government.

●

The U. S. oil companies have settled their two-year row with Britain.

Last fall the British government made peace with Caltex and Standard Vacuum. This week a deal was made with Standard Oil (New Jersey) and Socony-Vacuum.

Under the settlement, London agrees to let the U. S. companies trade in the sterling area on the same terms as British and British-Dutch firms.

In return, U. S. companies agree to reduce their dollar costs in three years to the point where they can sell for roughly 30% in dollars, 70% in sterling. (The dollar content of U. S. oil sales in the sterling area has been cut from 75% in 1949 to 40% this year. If this reaches 30%, it will be about the same as the dollar costs of British and British-Dutch companies.)

Here's why the U. S. oil companies can afford this deal: They have been buying more of their crude oil for sterling, plus tankers and oil field and refinery equipment. In short, they can really use sterling now.

■

London is the scene this week of secret rubber talks. The purpose is to work out an allocation scheme that would safeguard the West's supplies, and ration shipments to China, Russia, and Russia's satellites.

U. S. delegates favor a tight allocation system, including price controls.

Southeast Asian producers say allocation is impossible without disturbing the whole marketing picture.

At midweek no compromise was in sight.

●

A shortage of sulphur threatens Britain today even more than the crisis in coal.

Many industries are panicky as supplies of sulphuric acid dwindle. Production cuts are spreading from dyestuffs, rayon, and fertilizers, to auto batteries and pharmaceuticals.

Production of sulphuric acid in Britain depends entirely on sulphur from the U. S. The danger of a shortage was foreseen two years ago, and the government banned any new acid plants based on sulphur. But the first new plant to use Moroccan pyrites won't be producing until late this year.

Contents copyrighted under the general copyright on the Feb. 17, 1951, Issue—Business Week, 330 W. 42nd St., New York, N. Y.

BUSINESS ABROAD

CHINA CLEARS GROUND for new inland sites for war-threatened plants, while . . .

BREAKING UP lands of "rich peasants" threatens food supplies. These signs reveal . . .

China: Not So Strong

Peiping's efforts to sustain its Korean venture show its power was overrated. Bloated military budget, transfer of already shaky industry, land reform, all weaken Mao regime.

The myth of Red China as a world military power has vanished; in its place comes the real possibility of a gradual decomposition of Mao Tse-tung's government.

All is not well in Stalin's Chinese empire. Moscow's proxy troops—the Chinese "volunteers" in Korea—are getting badly clawed by United Nations firepower. And on the home front, severe stresses and strains are beginning to cripple Mao Tse-tung's regime.

Here's what's happening in People's China:

- Peiping's finances are staggering under the weight of a bloated military budget;
- Food production is endangered by a violent campaign to "liquidate the rich peasants";
- Chinese industry—shaky at best—is being uprooted to meet the demands of war—and the Kremlin;
- China's first "blood" purge is under way.

This changing picture puts the China problem in a new perspective for Washington policy planners. The important question now: What will Russia do to shore up its flagging ally?

I. Broken Dreams

Boss Mao Tse-tung couldn't be very happy about the course of events today. From Korea, he gets word of gory casualty figures; and all around him he sees the abandonment of his program to reconstruct and industrialize China.

Last June, just before Korea, Mao outlined in glowing terms a "New Democracy" platform, which needed years of peace to succeed. He called for a liberal policy toward the private sector of business, easy treatment of the well-to-do peasant. State expenses were to be cut, and the army gradually demobilized.

But Stalin wanted a different kind of China—a streamlined military state that would help him take over the world (BW—Jun.3'50,p101). Sometime in August or September, Mao was forced to cast his lot with the Kremlin, and the fateful involvement in Korea began.

• **Impact**—War hit China with the force of a hurricane. Government expenses skyrocketed as 1-million or 2-million youths were added to China's army of 4.5-million. Thousands were drafted for all kinds of police forces. China's most promising youths were yanked out of school and college for military service.

The Peiping budget for 1950 earmarked 38.8% for the military; a deficit of 11.5% was to be covered with printing press money. Now it's a safe guess that the 1951 budget will grab off 50% or 60% for the army, and the burgeoning deficit will be met as it was during the days of Chiang Kai-shek—by a snowball inflation. And that's a catastrophe for Peiping. Mao had considerable success in stabilizing China's finances—one reason why a large part of the non-Communist majority preferred him to Chiang.

The end of trade with the U. S. has added to the financial woes. China sold the U. S. $5-million worth of tungsten in 1949; last year sales dropped to $350,000. Tin sales dropped from $239,000 to $39,000. Now Russia has taken over China's former dollar exports. But that doesn't help Peiping's

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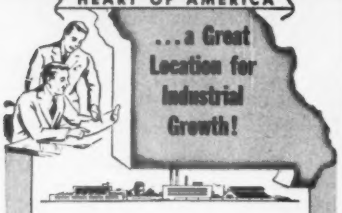

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WALTER A. PETERSON, *Treasurer*
February 3, 1951

You advertise in Business Week when you want to influence management men.

coffers any; the Soviets are paying in machinery for Manchurian industry, which Russia itself owns.

• **Land "Reform"**—Internal war with the peasants is draining China's lifeblood. Premier Chou En-lai himself called Peiping's new agrarian policy "China's second fiercest class struggle, surpassed only by the civil war itself." Actually, it is a new civil war. Mao's hopes for a "peaceful redistribution of land" by June have changed to "liquidation of the rich peasants as a class."

The 130-million farmers of the south—China's richest and most productive area—are getting the full Stalin treatment, perfected during the early 1930's against the Ukraine peasants. Tens of thousands of armed "land reform instructors," supported by city militia, are moving into the fields. Special courts are brought along, too, to give a legal stamp to the expropriation and liquidation proceedings. That policy is playing hob with food supply, and at the same time cutting the government's receipts from land taxes.

• **Industrial Convolution**—Red China's shaky industrial plant is being uprooted—literally. Originally, Mao had planned a "New Economic Policy" such as the Russians followed in the 1920's. He wanted to go easy on the privately owned sector of industry (about 40% of the total), smoothing the path for its eventual consolidation with state-owned industry. Manchurian industry was to be restored to its prewar capacity; new plants were to be built along the coast. Light industry was to grow slowly in middle and south China.

Now all that is by the boards. Post-Korea policy calls for frantic construction of heavy industry in the interior—in Kansu and Shansi provinces. Plants on the coast and in Manchuria are being dismantled and shipped inland; light industry everywhere is suffering for lack of supplies and manpower. Thousands of technicians from China's meager skilled labor pool are being mobilized to lay the foundations for the new interior industry. This fast industrialization will be deadly to living standards—near-bottom already.

The Shansi area has the coal and iron for large-scale industry; it has perhaps 150-million tons of iron and a billion tons of coal. But in spite of that, production there has always been trifling. Shansi has practically no transportation to link it with the rest of China. And there's little oil and almost no hydroelectric power.

• **Lost Trade**—China still has to depend on trade with the non-Communist world for much of the materials and equipment for its war industry. Though you can't tell what China is getting out of its trade deals with the Soviet bloc, it's a good bet that the West is still supplying more than the East. For example, last year China received $9-million worth of steel and other war essentials from West Germany. And Hong-Kong and Macao are doing a booming business with Peiping. There's little doubt a strict trade blockade by the West could hurt Mao badly.

• **Purge**—A vicious purge came hand-in-hand with China's Korea blow. And it's different from any purges the Chinese have mounted so far—aimed at destroying a class rather than merely punishing political enemies. What the Chinese used to call "brain washing"—persuasion—has been replaced by more stringent measures. People's Court can now pronounce death sentences and follow them out on the spot.

The new purge will probably bring about a dissolution of Peiping's coalition with non-Communist groups—like the Democratic League of China and the Revolutionary Committee of the Kuomintang. These organizations influence thousands of intellectuals—plus some important generals—who never fully bought the Communist line, but couldn't stomach Chiang Kai-shek.

II. Policy for the West?

The troubles in China should have an important effect in Washington. Chances are the U. S. will have to "reexamine" its long-term thinking about Red China's role in the Far East.

For more than year, U. S. policy has been based on the idea that Communist China is here to stay—for decades at least. Secretary Acheson's "White Paper" on China completely washed U. S. hands of Chiang Kai-shek.

Now the course of events in China raises the question of whether Mao Tse-tung's government can survive. And Chiang is back on the scene with a vengeance as master of the Formosa fortress and, for some, the potential liberator of the Chinese mainland.

• **Alternatives**—For the next year or so, the U. S. will be discussing three alternative policies for China. One contends that we should aid guerrillas and non-Communist warlords still holding out in south China. Another says we should dispatch Formosan troops to set up a "second front" that's sure to topple Peiping.

The third alternative contends that the sweeping disappointment with Mao's regime doesn't make Chiang a new hero on the mainland, that warlords and their bands are just as unpopular with the Chinese as is Chiang. It argues that any U. S.-sponsored invasion would bring trouble, defeat, and a strengthening of the Communists in spite of themselves.

Supporters of this view are on the lookout for the evolution of a third force rising out of the disintegration of Chinese Stalinism.

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clues

to the solution of business problems may be found on page 144 of the Feb. 10 issue of BUSINESS WEEK

House Reverts to Protective Tariffs

Reciprocal trade law amendments would: boost tariffs on some farm products; open loophole to boost duty on many others.

Last week the House of Representatives decided to reverse 16 years of U.S. tariff history. Since the Reciprocal Trade Agreements Act was passed in 1934, U.S. tariffs have gone steadily downward. Now protection will again become the dominant principle of our trade policy—unless the Senate waters down the House action or President Truman stymies Congress by using his veto.

• **Rewrite by Amendment**—All it took was three House amendments virtually to rewrite the present law. The House (1) withdrew tariff concessions on imported farm products unless they are sold above the domestic support price; (2) took from the Administration the power to decide whether or not American industry is being hurt by imports; (3) adopted the Republican-sponsored "peril point" amendment. Then for good measure, the House scrapped four commercial treaties between the U.S. and Soviet-bloc countries.

So successful were the Republican tacticians that they never even bothered to introduce their amendment to limit extension of RTA to one year.

• **Unexpected**—No one was more surprised by what happened than the State Dept. Democratic leaders in the House had assured State that everything would go smoothly; a three-year extension of RTA would be voted with no strings attached.

But while nobody was looking, House Republicans, aided by 42 Democrats (23 from the normally free-trading South) did their rewriting of the law. It was a thumping political defeat for the Administration, and this week State wasn't optimistic about getting a better break from the Senate.

If a Senate majority backs the House action, a presidential veto would be a real possibility. From the Administration's angle it might be better to let the law lapse for six months or a year than to have an "unworkable" law on the books. Letting the law lapse would not affect present trade agreements or current tariff negotiations at Torquay, England. However, it would remove the President's authority to negotiate further.

• **Heavy Hitter**—The biggest change in tariff policy was the farm amendment introduced by congressman Dempsey of New Mexico. Dempsey is worried over a recent influx of potatoes from Canada. His amendment would withdraw all tariff concessions on farm products for which there are domestic price supports—unless these imported products are sold above the domestic support price.

Roughly, a third of all dutiable U.S. imports could be affected by this amendment. That's how important farm products are in the U.S. trade picture. The amendment could lead to higher tariffs on such things as wool, cheese, casein, nuts, beef, and barley. But right now, there are no price supports in effect on these commodities. Potatoes are the only item immediately affected, and price supports on potatoes are due to come off this year. But the adoption of price supports on wool, for example, would mean that present tariff concessions would have to be with-

New Media for East German Admen

Advertising—Communist style—has come up with a brand-new gimmick. Lowly hunks of brown coal like the one above, from East Germany's Peoples' Mines, now bear the proud imprint "Long Live Stalin." But anti-Communist Germans don't mind—they get a big bang out of throwing Stalin's coal into the flames.

drawn, and the rate would revert to the pre-1934 level.

Manipulating tariffs to protect special interests is strictly against the rules of the Geneva Agreements on Tariffs and Trade (GATT)—the mechanism by which the U.S. reciprocal trade program works. State Dept. can and does impose import quotas against farm imports that are price-supported in the U.S., but it can't touch the tariff without losing all the concessions it has wangled for U.S. farm exports.

• **Protection Appeal**—Another important change is the new version of the "escape clause" that Rep. Bailey, W. Va. Democrat, wrote into RTA. Under the Bailey amendment, the tariff commission is required to investigate the claims of any "interested party" who thinks imports are threatening his business. The commission then recommends action, i.e., more protection, to the President, or makes public its reasons for ignoring the claims. Right now, the President is the only person who can initiate such investigations.

What will interest traders most is Rep. Bailey's definition of what constitutes "injury." The amendment reads: The Tariff Commission "shall deem a downward trend of production, employment, and wages . . . or a decline in sales and a higher or growing inventory attributable in part to imports, to be evidence of injury or serious threat thereof" to a domestic industry. State Dept. officials figure it would be a strange industry indeed that couldn't escape low tariffs through that hole.

• **Peril Points**—Much of the House debate raged around what has long been a Republican objective—peril points. This amendment requires the Tariff Commission to set minimum tariffs on any item that the Administration plans to negotiate with other countries. If the Administration reduces the tariff below this peril point, President Truman must explain his action to Congress in writing.

Traders and the State Dept. agree that the peril point amendment was probably the least important of the House actions. Few, if any, tariff negotiations will be held in the next three years. And the provision will not affect this winter's negotiations at Torquay, England.

• **Concessions Barred**—The last amendment won't bother U.S. traders, but it will give the State Dept. some headaches. Sponsored by Rep. Byrnes, Wisconsin Republican, the amendment bars all tariff concessions in the future to Russia and other countries "controlled by the world Communist movement." That doesn't include Yugoslavia.

The Byrnes amendment means that

From Jan. 22, 1951 issue of
EXPORT TRADE & SHIPPER

Enlarged Responsibilities of Export Advertising in Mobilization Economy

Product advertising, of things that are available for export, should be expanded to meet the easing dollar situation in foreign markets. Meanwhile it is equally important that manufacturers, who are forced to curtail exports because of inadequate production, step up their institutional advertising to keep goodwill alive until shipments can again be expanded.

Those of our larger corporations which have long been among our major exporters, fully appreciative of the long-range importance of their international business, will need little urging as to the soundness of an expanded advertising investment, whether to exploit expanding markets for available products, or to hold as friends the past and future customers whom, for an interim period, they may be unable to supply. Such a policy is purely and simply a matter of sound business.

It is not always, however, that business interests coincide so closely with the national interest. In the present circumstances, increased export advertising can serve a vital need of our nation—on the one hand, to protect the dollar by maintaining trade volume; and on the other, to maintain the goodwill of the world's peoples.

In *EXPORT* selling . . .

With business and government leaders emphasizing *the vital national interest* of maintained foreign trade . . .

Business Paper Advertisers will continue to protect their overseas business markets and keep them intact through their advertising in the . . .

McGRAW-HILL INTERNATIONAL
Specialized Export Business Magazines

ABC

OVERSEAS BUSINESS SERVICES, a new unit of McGraw-Hill International, is now available to serve U. S. business in overseas problems. A network of specialized representatives in many countries, can provide on-the-spot data and assist on any phase of foreign trade. Write for brochure.

The BOOK EXPORT DIVISION handles world-wide distribution of McGraw-Hill scientific, technical, business and industrial books. We can assist overseas business and industry in establishing and enlarging their technical libraries . . . invaluable sources of American know-how for ready reference.

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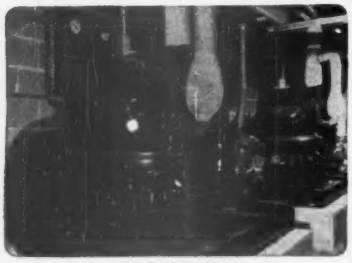
FRICK

Air Conditioning and Refrigeration

Serve Largest Super-market in Middle West

Bettendorf's new store in St. Louis measures 164 ft. by 160 ft., has 200 employees. Two NEW "ECLIPSE" compressors provide air conditioning, while seven other Frick units cool eleven rooms — for meats, bakery products, vegetables, frozen foods, process work, etc.



Frick NEW "ECLIPSE" Compressors at Bettendorf's Super-Market, St. Louis

Installation by L. V. Fleiter Co., St. Louis Distributors who have put Frick cooling equipment in five other super-markets recently.

Let us quote on the air conditioning, ice-making, refrigerating or quick-freezing equipment you need.

DEPENDABLE REFRIGERATION SINCE 1853

FRICK CO.

WAYNESBORO PENNA. U.S.A.

Also Builders of Power Farming and Sawmill Machinery

Your Advertising in

BUSINESS WEEK . . .

regularly reaches the attention of over 200,000 management subscribers. Surveys show that the average Business Week subscriber shares his copy with two of his business associates . . . thereby giving you a *total* audience of more than 600,000 important prospects.

the U. S. must scrap commercial treaties with Russia, Poland, Hungary, and Romania. These treaties serve as some protection to U. S. consular staffs in these countries. Scrapping them will remove one of the last reasons for keeping these "listening" posts in operation. Besides, State argues, the Communists always are accusing the U. S. of failing to live up to its business contracts. Why feed the fires of their propagandists?

• **Still Time**—Next stop for the RTA is the Senate Finance Committee. Hearings open Feb. 22. State officials will try to kill the farm amendment. Most big farm groups have staunchly supported RTA. State hopes they won't support such a sweeping amendment just to keep out Canadian potatoes.

To some extent, the outcome will depend on what attitude American business takes. The National Foreign Trade Council, the U. S. Chamber of Commerce, and the U. S. Council of the International Chamber of Commerce have been staunch backers of RTA. The U. S. Council of the ICC is ready to fight all four amendments.

Abrasives Companies To End Selling Pool

A major face-lifting is in the works for the export sales of coated abrasive products. Three top U. S. companies, which have been selling abroad under a pool organization, are getting set to strike out as individuals into the $5-million world market for abrasive belts, discs, and rolls. The pool they had for 22 years was judged perfectly legal, but an antitrust suit knocked the props out from under it just the same.

The companies are Carborundum Corp., Minnesota Mining & Mfg. Co., and Behr-Manning Corp., a Norton Co. subsidiary. Last September a federal court ordered them to end their joint ownership of three foreign factories—in Britain, Canada, and Germany—through the jointly owned Durex Corp.

• **Sales Setup**—Their selling organization, the Durex Abrasives Corp., was judged legal under the Webb-Pomerene Act. But Carborundum Corp. has already decided to pull out. For when the Durex Corp. is split, each company will probably get a plant. That would make it impractical—even downright embarrassing—to operate a foreign plant and then participate in an exporting company that competed with the plant.

The new sales plan won't be too tough a transition for Carborundum. The company already has a corps of foreign distributors who have been handling Carborundum products other than coated abrasives. Now they'll be fitted into the coated abrasives line.

BUSINESS ABROAD BRIEFS

Now you can commute between New York and Toronto nonstop, thanks to American Airlines. Businessmen can have breakfast in New York, hop to Toronto for an eight-hour work day, and fly home for an early bedtime.

•

A $7-million expansion in Puerto Rico is planned by Textron, Inc., to include a shirt factory at Humacao, new machinery for the company's Ponce plant. Textron will put up $2.5-million itself, the rest will come from loans from the Insular Development Bank and Puerto Rico's Industrial Development Corp. (BW–Nov.4'50,p142).

•

First Japanese trade fair in the U. S. since the war will hold forth in Seattle, June 15-30.

•

President Peron will push a second five-year plan in Argentina, starting in 1952. He has his eye on blast furnaces, aluminum plants, and aircraft factories—among other things.

•

British buy: Independent Pneumatic Tool Co., Aurora, Ill., bought out Armstrong, Whitworth Machine Tools, Ltd. of Newcastle, England. Independent wants a "stronger foothold in the world market," plans to modernize the British plant and eventually integrate the two companies' product lines.

•

A new yeast factory—Brazil's third—is under construction by Standard Brands of Brazil, S. A. The cost: $1.5-million; completion: late in 1951.

•

Knowhow swap has been announced by Britain's Bristol Aeroplane Co. and Boeing Airplane Co., Seattle. The two companies will trade engineering and development data, work together in the future on research projects.

•

No natural gas will flow from Alberta, Canada, to the Pacific Northwest for a while yet (BW–Sep.30'50,p75). Alberta officials want to make sure they have enough gas reserves before export begins. But they've promised to reconsider at any time.

•

Greek-Yugoslav train service begins again next week after a 10-year interruption. Now the West will have a direct line from the Greek port of Salonika into Yugoslavia—for trade or aid.

•

A new Celanese Corp. subsidiary—Canadian Chemical Co., Ltd.—will build a plant near Edmonton, Alberta, to produce industrial chemicals. Estimated cost: $50-million.

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We Need Fast Tax Action

The President has decided on a two-package tax bill to make up the $16.5-billion deficit in his budget.

In theory this approach has both a merit and a fault. It could give us what is badly needed in the inflation fight—a quick jump in the size of the tax bite out of current incomes. On the other hand, it lengthens the odds against the second package being big enough to close the gap.

It takes only one look at the Administration's $10-billion first instalment to know that it can't be a "quickie" bill. The proposals for stiffer rates on personal and corporate incomes and excises were looked for. Reasonably quick action on them might have been expected. But into the bargain the Treasury threw almost every controversial tax idea that ever stuck in the craw of Congress. They include taxation of cooperatives and other exempt organizations, cutting the depletion allowances for oil wells and mines, and the old battle-scarred plan to end the tax-exempt status of state and municipal bonds.

Regardless of the merit in this part of Secretary Snyder's list, he knew perfectly well that a bill including such a bristling lineup couldn't pass congressional muster in a matter of months—or years. So the Administration doomed the one real advantage of the two-package tax bill idea—the chance to enact a prompt stepup in the tax take out of rising incomes.

More Taxes Now

But it is vital that we get quick action of some sort on a tax bill to help take the spending pressure off prices. In the present phase of mobilization we should shoot for a heavy budget surplus. Right now inflation pressure grows despite a balanced budget. And for a simple reason. The building of new defense plants and the production of war goods mean payments to workers and suppliers long before the tanks and planes are delivered to and paid for by the government. We are in this period now. We should try to drain off this income so it cannot get into the markets and force up prices faster.

To get some tax action as soon as possible, our suggestion is that Congress shear off everything from the Administration's first list of proposals but the personal and corporate income taxes and the excises. It should get stiff new levies in these fields on the books effective not later than Apr. 1. To dally along the way is to let inflation get up still more momentum.

The next problem is to start working on the second package. We will need one. The growing retreat from pay-as-you-go must be stopped. As long as the defense program holds below 20% of our total output, we must pay for it now in taxes. Congress can cut the size of that second package by standing up to the President's dare to cut his nondefense budget. But it should resist the idea of borrowing now. We must keep our borrowing power in reserve for the time when our military program may have to expand fast. Borrowing should also be avoided as long as possible because the Treasury's policy of low interest rates is going to force a large share of the financing into the banks. That means the manufacture of new money and more pressure behind the price and wage dams. It means losing another round in the inflation fight. That we cannot afford to do.

Utilities Fatten the Dollar

Utilities give us more for our money than they did in 1940. The dollar spent for other items in the family budget last year was a shrunken bill worth only 58½¢ in terms of 1940. But the dollar spent for gas and electricity in 1950 bought $1.01 worth compared with what the 1940 dollar bought.

This does not mean that utility bills show a drop. They could hardly do that, for the average American home used 92% more juice in 1950 than in 1940. But even so, the family's annual electric bill on the average rose only 44%.

Why? Partly, improved equipment, materials, techniques. Partly, the economies of large-scale production to which the industry is so responsive. Partly, because these companies sell a completely standardized product. Nobody asks for pink gas in one house and purple in another. Nobody wants electricity delivered hot in the winter and cold in the summer.

But that fact aside, the utilities have done a standout job for the family budgeteer.

The Voice of Experience

For a long time the CIO has been in favor of public power. At the last annual convention in Chicago, the CIO Utility Workers tried to get this position changed. They go along with government aid in building powerplants, but want private companies to operate them.

To the Utility Workers this is no matter of theory. Delegate Pachler spoke up: "We definitely feel that TVA and other municipal projects do not have the conditions that our top utility contracts provide." Delegate Straub summed up their fears about nationalization of the industry and of their union.

Brother delegates were cold to the pleas of the Utility Workers. The CIO Resolutions Committee voted them down, and the convention supported the committee.

The voice of experience went unheeded. Perhaps the auto workers or the steelworkers would feel differently if their own industry were up for nationalization. That's what the Utility Workers—the experts on the subject—thought. But then—few men hear a clap of thunder unless it breaks right over their heads.

ARTIST: ROBERT SCHNEEBERG

Virtue or morality is a necessary spring of popular government. The rule indeed extends with more or less force to every species of free government. . . . Promote, then, as an object of primary importance, institutions for the general diffusion of knowledge. In proportion as the structure of a government gives force to public opinion, it is essential that public opinion should be enlightened.

G. Washington

(FAREWELL ADDRESS, 1796)

CONTAINER CORPORATION OF AMERICA

Another new development using

B. F. Goodrich Chemical Company ***raw materials***

B. F. Goodrich Chemical Company does not manufacture this film. We supply raw materials only.

2 sides to a timely idea!

BOTH grow out of the idea one manufacturer has in embossing the surface of film made from Geon polyvinyl materials. These two applications, miles apart in function, may suggest other ideas to some smart businessman.

For decorative beauty, the rich, embossed surface of the film, with its soft lights and shadows, is a stand-out success for draperies and other uses in the home.

Notice the other contrasting application. Vinyl film made with Geon is suggested as camouflage material which will have the advantage of long wear, high resistance to flame. It fights acids and grease, as well as being practically mildew proof. The surface of the film is embossed to minimize light reflectance —an important consideration in camouflage materials.

Geon runs an amazing gamut in products from filmy curtains to heavy, durable floors—just to mention two extreme examples of its versatility. Many manufacturers find Geon has made possible new products that move fast.

If Geon's advantages stimulate you to a new approach to a selling problem, or suggest an idea, please write our Technical Service Department who will be glad to help. Remember, we make no finished products but supply raw materials only. Address Dept. A-2, B. F. Goodrich Chemical Company, Rose Building, Cleveland 15, Ohio. In Canada: Kitchener, Ontario. Cable address: Goodchemco.

GEON RESINS • GOOD-RITE PLASTICIZERS . . . the ideal team to make products easier, better and more saleable

GEON polyvinyl materials • HYCAR American rubber • GOOD-RITE chemicals and plasticizers